

City of Muskegon
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE L—PENSION PLANS—Continued

Defined Benefit Pension Plans—Continued

Investments. Investments are reported at fair value which is determined using selected bases as follows: short-term investments are reported at cost which approximates fair value; securities traded on a national exchange are valued at the last reported sales price; investments that do not have established fair values are reported at estimated fair value; and, cash deposits are reported at carrying amount which reasonably estimates fair value. The following summarizes the carrying values of investments of the City's two pension plans at December 31, 2006:

	Cost	Fair value
General Employees		
Bond mutual funds	\$ 5,234,001	\$ 5,917,676
Stock mutual funds	7,136,239	11,143,979
Other instruments	<u>170,762</u>	<u>170,762</u>
	<u><u>\$ 12,541,002</u></u>	<u><u>\$ 17,232,417</u></u>
Policemen and Firemen		
Bond mutual funds	\$ 2,281,606	\$ 2,529,496
Stock mutual funds	<u>3,081,653</u>	<u>4,742,190</u>
	<u><u>\$ 5,363,259</u></u>	<u><u>\$ 7,271,686</u></u>

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial valuation date	Actuarial value of assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
General Employees Retirement System						
12/31/00	\$ 27,340	\$ 23,037	\$ (4,303)	119 %	\$ 6,271	- %
12/31/01	27,797	24,566	(3,231)	113	6,297	-
12/31/02	26,882	25,872	(1,010)	104	6,546	-
12/31/03	27,132	27,401	269	99	6,781	4
12/31/04	27,968	28,555	587	98	6,318	9
12/31/05	22,906	22,156	(750)	103	3,599	-
Policemen and Firemen Retirement System						
12/31/00	\$ 40,599	\$ 37,547	\$ (3,052)	108 %	\$ 6,418	- %
12/31/01	40,381	38,592	(1,789)	105	6,070	-
12/31/02	38,280	41,511	3,231	92	6,391	51
12/31/03	38,085	42,981	4,896	89	6,656	74
12/31/04	39,026	43,845	4,819	89	6,583	73
12/31/05	39,470	44,370	4,900	89	6,371	77

City of Muskegon
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE L—PENSION PLANS—Continued

Defined Benefit Pension Plans—Continued

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions

<u>Year ending</u>	Approximate annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
General Employees Retirement System			
12/31/01	\$ -	- %	\$ -
12/31/02	-	-	-
12/31/03	121,414	100	-
12/31/04	382,193	100	-
12/31/05	513,998	100	-
12/31/06	275,772	100	-
Policemen and Firemen Retirement System			
12/31/01	\$ 96,549	100 %	\$ -
12/31/02	290,431	100	-
12/31/03	435,687	100	-
12/31/04	1,035,172	100	-
12/31/05	1,224,402	100	-
12/31/06	802,680	100	-

In late 2005, the City began the process of moving all of its employee groups to the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer defined benefit pension plan. As part of this process, the City will also require all new employees to be enrolled in a defined contributions plan offered by MERS and administered by ICMA Retirement Corporation (ICMA). The status of the plans are as follows:

<u>Employee Group</u>	Retirement Plan Moved to MERS	Defined Contribution (DC) Plan Effective	Required City Rate under DC Plan	Required Employee Rate under DC Plan
Nonunion	November 2005	January 2005	6 %	3 %
Firefighters	April 2007	January 2005	10	5
Police Command Officers	July 2006	-----Under negotiation-----		
Police Patrol Officers	July 2006	July 2006	10	5
Parks & DPW Employees	April 2007	January 2006	3 - 6	0 - 3
Clerical	October 2006	January 2006	3 - 6	0 - 3

City of Muskegon
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE L—PENSION PLANS—Continued

Defined Benefit Pension Plans—Continued

Actuarial data is not yet available for the MERS plan and will be provided in subsequent years. For the year ended December 31, 2006, the City's annual pension cost under the MERS plan was approximately \$357,000 which the City contributed.

For the year ended December 31, 2006, the City's total contribution to all defined contribution plans was approximately \$26,000, and the employee contributions were approximately \$14,000.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided by Internal Revenue Code Section 401(f).

NOTE M—OTHER POST-EMPLOYMENT BENEFITS

The City administers a defined benefit post-employment healthcare (OPEB) plan, the City of Muskegon Post-Retirement Medical Plan (Plan). Financial statements for the Plan can be obtained from the administrative office at 933 Terrace Street, Muskegon, MI 49443.

Summary of Significant Accounting Policies

Basis of Accounting. The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions, if any, are recognized in the period in which the contributions are made. Contributions by the City to the Plan are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when paid according to the terms of the Plan.

Method Used to Value Investments. Plan investments are recorded at fair market value.

Plan Descriptions and Contribution Information

Membership of the plan consisted of the following at December 31, 2005:

Retirees, disabled, and beneficiaries receiving benefits	266
Terminated Plan members entitled to but not yet receiving benefits	21
Active Plan members	266

Plan Description. The Plan is a single employer defined benefit postemployment healthcare plan that covers retired employees of the City. The Plan provides health insurance to eligible retirees and their spouses. Public Act 149 of 1999 assigns the authority to establish and amend the benefit provisions of the Plan to the City Commission.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE M—OTHER POST-EMPLOYMENT BENEFITS—Continued

Plan Descriptions and Contribution Information—Continued

Contributions. Contributions are established and may be amended by the City Commission based upon the results of collective bargaining with various employee groups. Retired plan members and beneficiaries currently receiving benefits are not required to contribute toward the cost of health insurance premiums. The City is required to contribute at a rate equivalent to the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 3.9 percent to 9.4 percent of annual covered payroll depending on employee group for 2005. Administrative costs of the Plan are financed through investment earnings.

Annual OPEB Costs. For 2006, the City's annual OPEB cost (expense) of \$1,145,884 was equal to the ARC.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of Plan members not contributing to the Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2005, actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions include a 7 percent investment rate of return and an annual healthcare trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4 percent after five years. Both rates include a 4 percent inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2005, was fifteen years.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial valuation date	Actuarial value of assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
12/31/03	\$ 9,289	\$ 16,615	\$ 7,326	56 %	\$ 13,437	55 %
12/31/04	10,194	17,989	7,795	57	12,911	60
12/31/05	10,534	18,395	7,861	57	12,969	61

City of Muskegon
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE M—OTHER POST-EMPLOYMENT BENEFITS—Continued

Funded Status and Funding Progress—Continued

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions

Year ending	Annual required contribution	Percentage contributed	%
12/31/04	\$ 967,300		100
12/31/05	898,022		100
12/31/06	1,145,884		100

REQUIRED SUPPLEMENTARY INFORMATION

City of Muskegon

BUDGETARY COMPARISON SCHEDULE

General Fund

For the year ended December 31, 2006

(with comparative actual amounts for the year ended December 31, 2005)

	2006		2005		Variance with final budget- positive (negative)	
	Budgeted amounts		Actual			
	Original	Final				
REVENUES						
Taxes						
City income tax	\$ 6,800,000	\$ 6,950,000	\$ 7,425,173	\$ 475,173	\$ 7,083,023	
Property taxes	7,178,705	7,128,231	7,142,298	14,067	6,965,260	
Industrial facilities taxes	372,465	347,738	396,366	48,628	378,744	
Payments in lieu of taxes	89,000	89,000	88,871	(129)	88,467	
Delinquent chargeback collected	12,000	15,000	-	(15,000)	6,275	
Total taxes	14,452,170	14,529,969	15,052,708	522,739	14,521,769	
Licenses and permits						
Business licenses	33,000	34,000	33,656	(344)	32,020	
Licor licenses	37,500	36,202	36,452	250	35,551	
Cable TV fees	285,000	280,000	285,124	5,124	286,265	
Housing licenses	50,000	52,000	55,623	3,623	54,194	
Rental property registration	10,000	13,000	12,980	(20)	12,010	
Burial permits	110,000	125,000	118,399	(6,601)	116,339	
Building permits	275,000	300,000	306,791	6,791	313,392	
Electrical permits	100,000	75,000	76,535	1,535	99,112	
Plumbing permits	45,000	35,000	34,367	(633)	39,713	
Mechanical permits	55,000	45,000	45,978	978	57,452	
Cat licenses	2,500	2,500	3,115	615	1,905	
Police gun registration	-	3	3	-	28	
Total licenses and permits	1,003,000	997,705	1,009,023	11,318	1,047,981	
Intergovernmental revenues						
Federal grants	149,220	180,567	172,881	(7,686)	155,648	
State						
Grants	18,000	18,302	18,302	-	18,229	
State shared revenue	4,680,217	4,599,141	4,556,801	(42,340)	4,592,852	
Total intergovernmental revenues - state	4,698,217	4,617,443	4,575,103	(42,340)	4,611,081	

City of Muskegon

BUDGETARY COMPARISON SCHEDULE

General Fund

For the year ended December 31, 2006

(with comparative actual amounts for the year ended December 31, 2005)

	2006		2005		Variance with final budget- positive (negative)
	Original	Budgeted amounts	Final	Actual	Actual
Charges for services					
Tax administration fees	\$ 221,896	\$ 244,152	\$ 219,172	\$ (24,980)	\$ 231,639
Utility administration fees	180,000	180,000	180,000	-	-
Downtown Development Authority administration fees	10,000	5,000	5,000	-	10,000
Reimbursement for elections	20,000	13,762	13,762	-	14,229
Indirect cost reimbursements	1,046,163	1,046,163	1,045,539	(624)	1,035,612
Site plan review fee	2,300	5,750	5,650	(100)	(1,400)
Sale of cemetery lots	20,000	28,800	27,190	(1,610)	19,327
Police miscellaneous	90,000	100,000	97,093	(2,907)	100,101
Police impound fees	35,000	48,000	49,206	1,206	43,469
Landlord's alert fee	300	355	355	-	290
Fire protection-state property	45,000	121,131	121,131	-	85,482
Zoning fees	15,000	13,000	13,352	352	18,944
Clerk fees	4,300	3,500	3,330	(170)	3,802
Clerk fees - passport fees	2,000	2,400	2,520	120	2,280
Tax abatement application fees	6,000	8,500	10,080	1,580	-
Treasurer fees	60,000	70,000	73,030	3,030	95,549
False alarm fees	12,000	12,000	14,130	2,130	12,410
Miscellaneous cemetery income	24,000	23,000	22,772	(228)	18,536
Senior transit program fees	8,000	9,000	10,131	1,131	6,867
Fire miscellaneous	25,000	6,000	3,763	(2,237)	44,821
Sanitation stickers	60,000	85,000	87,263	2,263	82,006
Lot cleanup fees	50,000	52,000	74,581	22,581	34,809
Reimbursements - lot mowing and demolitions	50,000	60,000	65,994	5,994	34,813
Special events reimbursements	115,000	100,000	96,691	(3,309)	97,454
Recreation program fees	100,000	85,000	78,877	(6,123)	77,413
Total charges for services	2,201,959	2,322,513	2,320,612	(1,901)	2,068,453

City of Muskegon

BUDGETARY COMPARISON SCHEDULE

General Fund

For the year ended December 31, 2006

(with comparative actual amounts for the year ended December 31, 2005)

	2006		2005		Variance with final budget- positive (negative)
	Original	Final	Actual	Actual	
Fines and forfeitures					
Income tax - penalty and interest	\$ 210,000	\$ 200,000	\$ 192,822	\$ (7,178)	\$ 284,136
Late fees on current taxes	50,000	110,000	35,701	(74,299)	111,393
Interest on late invoices	2,000	2,000	2,112	112	1,769
Parking fines	110,000	90,000	87,060	(2,940)	97,566
Court fines	145,000	190,000	208,356	18,356	151,885
Total fines and forfeitures	517,000	592,000	526,051	(65,949)	646,749
Interest and rental income					
Investment earnings	85,000	320,000	416,856	96,856	187,380
Flea market	29,000	23,000	20,736	(2,264)	24,497
Farmers' market	32,000	35,000	34,719	(281)	31,982
City right of way rental	4,400	4,400	4,400	-	4,400
Arena events	-	137,977	137,977	-	-
Advertising	5,000	2,000	284	(1,716)	1,408
Parking rentals	5,000	2,567	2,800	233	2,800
McGraft park rentals	45,000	45,000	44,008	(992)	44,904
Other park rentals	29,000	30,000	30,403	403	37,159
Total interest and rental income	234,400	599,944	692,183	92,239	334,530
Other					
Sale of land and assets	1,000	1,000	-	(1,000)	2,512
Police sale and auction proceeds	1,500	1,500	-	(1,500)	1,664
CDBG program reimbursements	250,000	196,000	240,143	44,143	206,917
Contributions	11,000	17,500	17,992	492	12,538
Contribution - Veteran's Park maintenance	17,250	17,250	17,977	727	15,230
Community Foundation for Muskegon County	8,000	11,675	11,675	-	55,000
Miscellaneous reimbursements	1,000	3,750	-	(3,750)	-
Miscellaneous and sundry	15,000	15,000	11,894	(3,106)	14,202
Total other	304,750	263,675	299,681	36,006	308,063
Total revenues	23,560,716	24,103,816	24,648,242	544,426	23,694,274

City of Muskegon

BUDGETARY COMPARISON SCHEDULE

General Fund

For the year ended December 31, 2006

(with comparative actual amounts for the year ended December 31, 2005)

	2006			2005		
	Budgeted amounts		Actual	Variance with final budget- positive (negative)		\$ 77,980 12,278 208,603 179,287 408,569
	Original	Final				
EXPENDITURES						
Current						
Public representation services						
City commission	\$ 87,412	\$ 91,776	\$ 88,670	\$ 3,106	\$ 77,980	
City promotions and public relations	12,750	8,000	5,402	2,598	12,278	
City manager	208,396	207,196	209,693	(2,497)	208,603	
Contributions to outside agencies	177,660	188,273	176,013	12,260	179,287	
City attorney	406,152	446,000	424,117	21,883	408,569	
Total public representation services	892,370	941,245	903,895	37,350	886,717	
Administrative services						
Administration	172,638	168,291	159,841	8,450	160,411	
City clerk	347,353	347,353	297,542	49,811	317,602	
Civil service	181,541	185,041	175,899	9,142	181,916	
Julia Hackley internships	8,103	4,350	4,350	-	7,630	
Affirmative action	82,511	37,235	32,157	5,078	81,029	
Total administrative services	792,146	742,270	669,789	72,481	748,588	
Financial services						
Finance administration	428,669	428,223	430,314	(2,091)	424,388	
Assessing	414,562	449,489	442,617	6,872	410,601	
Arena administration	-	240,000	141,032	98,968	-	
Income tax administration	350,174	356,605	335,776	20,829	343,223	
Information systems	338,129	337,570	315,066	22,504	324,814	
City treasurer	393,189	372,889	391,775	(18,886)	402,688	
Total financial services	1,924,723	2,184,776	2,056,580	128,196	1,905,714	
Public safety						
Police department	8,413,775	8,257,480	8,232,492	24,988	7,989,348	
Fire department	3,488,313	3,750,733	3,719,404	31,329	3,653,206	
Fire safety inspections	999,117	997,992	994,574	3,418	945,377	
Total public safety	12,901,205	13,006,205	12,946,470	59,735	12,587,931	

City of Muskegon

BUDGETARY COMPARISON SCHEDULE

General Fund

For the year ended December 31, 2006

(with comparative actual amounts for the year ended December 31, 2005)

	2006		2005		Variance with final budget- positive (negative)
	Original	Final	Actual	Actual	
Public works					
Street lighting	\$ 538,936	\$ 545,000	\$ 563,184	\$ (18,184)	\$ 556,668
Community event support	65,720	27,550	25,456	2,094	28,010
Senior citizen transit	58,296	54,991	51,039	3,952	51,772
General sanitation	1,572,279	1,614,934	1,650,354	(31,420)	1,560,996
Recycling	163,527	163,527	159,751	3,776	158,213
Storm water management	16,384	17,500	16,384	1,116	16,320
City hall maintenance	251,861	251,861	264,247	(12,386)	289,094
Total public works	2,667,003	2,675,363	2,730,415	(55,052)	2,661,073
Community and economic development					
Planning, zoning and economic development	460,994	435,894	437,715	(1,821)	448,994
Environmental services	307,412	344,525	325,496	19,029	296,800
Total community and economic development	768,406	780,419	763,211	17,208	745,794
Culture and recreation					
Parks maintenance	1,204,281	1,195,825	1,231,852	(36,027)	1,228,443
McGraft park maintenance	57,419	61,500	69,399	(7,899)	50,408
General and inner city recreation programs	365,821	333,936	299,460	34,476	290,956
Cemeteries maintenance	464,285	539,200	528,446	10,754	576,284
Graffiti removal	4,500	4,520	2,751	1,769	2,543
Parking operations	25,000	14,000	13,522	478	14,897
Farmers' market and flea market	35,891	46,300	45,405	895	33,745
Total culture and recreation	2,157,197	2,195,281	2,190,835	4,446	2,197,276
Other governmental functions					
Insurance premiums	359,689	336,165	334,748	1,417	338,825
Other	400,000	200,000	222,802	(22,802)	160,234
Total other governmental functions	759,689	536,165	557,550	(21,385)	499,059

City of Muskegon

BUDGETARY COMPARISON SCHEDULE

General Fund

For the year ended December 31, 2006

(with comparative actual amounts for the year ended December 31, 2005)

	2006		2005		Variance with final budget- positive (negative)
	Budgeted amounts	Actual	Original	Final	
Debt service					
Interest and fees	\$ 50,000	\$ 3,136	\$ 3,336	\$ (200)	\$ 3,280
Capital outlay	84,585	15,000	5,435	9,365	53,514
Total expenditures	<u>22,997,324</u>	<u>23,079,860</u>	<u>22,827,516</u>	<u>252,344</u>	<u>22,288,946</u>
Excess of revenues over (under) expenditures	563,392	1,023,956	1,820,726	796,770	1,405,328
OTHER FINANCING SOURCES (USES)					
Transfers in	60,000	45,000	20,970	(24,030)	38,367
Transfers out	(930,000)	(1,671,072)	(1,671,262)	(190)	(1,369,281)
Total other financing sources (uses)	<u>(870,000)</u>	<u>(1,626,072)</u>	<u>(1,650,292)</u>	<u>(24,220)</u>	<u>(1,330,914)</u>
Net change in fund balance	\$ (306,608)	\$ <u>(602,116)</u>	170,434	\$ <u>772,550</u>	74,414
Fund balance at beginning of year			2,519,605		2,445,191
Fund balance at end of year			\$ <u>2,690,039</u>		\$ <u>2,519,605</u>

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 Major Street and Trunkline Fund
 For the year ended December 31, 2006

	Budgeted amounts		Variance with final budget- positive (negative)
	Original	Final	Actual
REVENUES			
Intergovernmental revenues			
Federal	\$ 725,000	\$ 725,000	\$ 724,862
State	4,696,948	3,608,908	\$ (138)
Charges for services	300,000	300,000	(408,412)
Investment earnings	50,000	125,000	(27,411)
Other	250,000	250,000	(1,274)
Total revenues	<u>6,021,948</u>	<u>5,008,908</u>	<u>4,576,513</u>
			(432,395)
EXPENDITURES			
Current			
Highways, streets and bridges	5,881,388	4,701,000	4,051,850
Debt service			649,150
Principal	615,000	615,000	615,000
Interest and fees	48,360	48,360	-
Total expenditures	<u>6,544,748</u>	<u>5,364,360</u>	<u>(350)</u>
			<u>648,800</u>
Excess of revenues over (under) expenditures	<u>(522,80)</u>	<u>(355,452)</u>	<u>216,405</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	200,000	200,000
Transfers out	(300,000)	(200,000)	(200,000)
Total other financing sources (uses)	<u>(300,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (822,80)</u>	<u>\$ (355,452)</u>	<u>(139,047)</u>
Fund balance at January 1, 2006			<u>847,149</u>
Fund balance at December 31, 2006			<u>\$ 708,102</u>

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

City of Muskegon

BUDGETARY COMPARISON SCHEDULE

Local Street Fund

For the year ended December 31, 2006

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal	\$ 812,942	\$ 768,000	\$ 768,000	\$ -
State	-	1,205,587	1,201,337	(4,250)
Local	-	815,000	815,382	382
Investment earnings	10,000	67,000	59,856	(7,144)
Other	130,000	190,000	186,369	(3,631)
Total revenues	952,942	3,045,587	3,030,944	(14,643)
EXPENDITURES				
Current				
Highways, streets and bridges	1,644,649	4,494,500	3,971,689	522,811
Excess of revenues over (under) expenditures	(691,707)	(1,448,913)	(940,745)	508,168
OTHER FINANCING SOURCES				
Long-term debt issued				
Transfers in	-	245,000	243,924	(1,076)
Total other financing sources	780,000	780,000	783,219	3,219
Net change in fund balance	\$ 88,293	\$ (423,913)	86,398	\$ 2,143
Fund balance at January 1, 2006			561,832	
Fund balance at December 31, 2006			\$ 648,230	

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

OTHER SUPPLEMENTAL INFORMATION

DESCRIPTION OF OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

The special revenue funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specific purposes.

L.C. Walker Arena – to account for revenues received for the operation and maintenance of the L.C. Walker Arena.

Criminal Forfeitures – to account for receipts generated through the sale of assets seized through criminal court proceedings.

Budget Stabilization – to account for funds appropriated from the City's General Fund for the purpose of mitigating adverse affects on the City's budget from downturns in the business cycle.

Farmers' Market Improvement – to account for funds allocated for maintenance and improvements to the City's farmers' market facility.

Tree Replacement – to account for contributions and other revenues earmarked for tree replacement throughout the City.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

Sidewalk Replacement – to account for resources allocated for a multi-year city-wide sidewalk replacement program.

Michcon Remediation – to account for reimbursements received from Michcon Gas Company for environmental remediation of their former downtown site.

EDC Revolving Loan – to account for funds received upon repayment of Urban Development Action Grant loans and subsequently reloaned to small business enterprises.

Community Development Block Grant – to account for categorical grants received from the U. S. Department of Housing and Urban Development for the construction of major city public improvements and the rehabilitation of residential housing and other qualifying expenditures.

State Grants – to account for grant revenues received from the State of Michigan and earmarked for the purpose of improvements and/or rehabilitation of City property, environmental remediation at lakeshore sites or new infrastructure in the City's downtown.

HOME Rehabilitation – to account for grant revenues received from the U. S. Department of Housing and Urban Development for the purpose of providing housing assistance to low and moderate income households in the City.

Arena Capital Improvements – to account for ticket revenue collections earmarked for large capital improvements and repairs to the L.C. Walker Arena.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care – to account for charges for services collected and investment income earned and to account for transfers to the general fund to partially cover cemetery care expenses.

City of Muskegon
COMBINING BALANCE SHEET
Other Governmental Funds
December 31, 2006

	Total other governmental funds	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
ASSETS				
Cash and investments	\$ 3,150,435	\$ 764,213	\$ 1,118,857	\$ 1,267,365
Receivables				
Accounts and loans (net of allowance for uncollectibles)	475,627	-	451,308	24,319
Special assessments	717,832	-	717,832	-
Due from other governmental units	698,365	-	698,365	-
Due from other funds	825,472	825,472	-	-
Due from component units	103,996	103,996	-	-
Total assets	\$ <u><u>5,971,727</u></u>	\$ <u><u>1,693,681</u></u>	\$ <u><u>2,986,362</u></u>	\$ <u><u>1,291,684</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 53,534	\$ 172	\$ 53,362	\$ -
Accrued liabilities	8,614	-	8,614	-
Due to other governmental units	169,727	-	169,727	-
Due to other funds	505,523	-	505,523	-
Deferred revenue	890,900	-	890,900	-
Total liabilities	1,628,298	172	1,628,126	-
Fund balances				
Reserved for:				
Capital projects	1,358,236	-	1,358,236	-
Perpetual care	1,214,384	-	-	1,214,384
Unreserved				
Undesignated, reported in				
Special revenue funds	1,693,509	-	-	-
Permanent funds	77,300	-	-	77,300
Total fund balances	\$ 4,343,429	\$ 1,693,509	\$ 1,358,236	\$ 1,291,684
Total liabilities and fund balances	\$ <u><u>5,971,727</u></u>	\$ <u><u>1,693,681</u></u>	\$ <u><u>2,986,362</u></u>	\$ <u><u>1,291,684</u></u>

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Other Governmental Funds

For the year ended December 31, 2006

	Total other governmental funds	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
REVENUES				
Intergovernmental revenues				
Federal	\$ 2,336,788	\$ -	\$ 2,336,788	\$ -
State	751,511	-	751,511	-
Local	54,000	54,000	-	-
Charges for services	270,892	231,186	11,978	27,728
Fines and forfeitures	18,851	18,851	-	-
Investment earnings	165,745	7,551	88,870	69,324
Other	317,540	57,663	259,877	-
Total revenues	<u>3,915,327</u>	<u>369,251</u>	<u>3,449,024</u>	<u>97,052</u>
EXPENDITURES				
Current	55,763	55,763	-	-
Public safety	581,598	581,598	-	-
Culture and recreation				
Debt service				
Principal	355,000	-	355,000	-
Interest and fees	78,175	-	78,175	-
Capital outlay	4,127,788	-	4,127,788	-
Total expenditures	<u>5,198,324</u>	<u>637,361</u>	<u>4,560,963</u>	<u>-</u>
Excess of revenues over (under) expenditures	(1,282,997)	(268,110)	(1,111,939)	97,052
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets				
Transfers in	563,275	-	563,275	-
Transfers out	1,194,726	469,310	725,416	(14,913)
Total other financing sources (uses)	<u>(55,292)</u>	<u>(31,103)</u>	<u>(9,276)</u>	<u>(14,913)</u>
Net change in fund balances	419,712	170,097	167,476	82,139
Fund balances at January 1, 2006	<u>3,923,717</u>	<u>1,523,412</u>	<u>1,190,760</u>	<u>1,209,545</u>
Fund balances at December 31, 2006	<u>\$ 4,343,429</u>	<u>\$ 1,693,509</u>	<u>\$ 1,358,236</u>	<u>\$ 1,291,684</u>

City of Muskegon

COMBINING BALANCE SHEET

Other Special Revenue Funds

December 31, 2006

	Total other special revenue funds	L.C. Walker Arena	Criminal Forfeitures	Budget Stabilization	Farmers' Market Improvement	Tree Replacement
ASSETS						
Cash and investments	\$ 764,213	\$ -	\$ 158,007	\$ 570,532	\$ 25,465	\$ 10,209
Due from other funds	825,472	-	-	825,472	-	-
Due from component units	103,996	-	-	103,996	-	-
Total assets	\$ 1,693,681	\$ -	\$ 158,007	\$ 1,500,000	\$ 25,465	\$ 10,209
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 172	\$ -	\$ 172	\$ -	\$ -	\$ -
Fund balances						
Unreserved						
Total liabilities and fund balances	\$ 1,693,509	\$ -	\$ 157,835	\$ 1,500,000	\$ 25,465	\$ 10,209
	\$ 1,693,681	\$ -	\$ 158,007	\$ 1,500,000	\$ 25,465	\$ 10,209

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Other Special Revenue Funds

For the year ended December 31, 2006

	Total other special revenue funds	L.C. Walker Arena	Criminal Forfeitures	Budget Stabilization	Farmers' Market Improvement	Tree Replacement
REVENUES						
Intergovernmental revenues - Local	\$ 54,000	\$ 54,000	\$ -	\$ -	\$ -	\$ -
Charges for services	231,186	231,186	-	-	-	-
Fines and forfeitures	18,851	-	18,851	-	-	-
Investment earnings	7,551	58	6,023	-	982	488
Other	57,663	2,183	55,480	-	-	-
Total revenues	369,251	287,427	80,354	-	982	488
EXPENDITURES						
Current	55,763	-	55,763	-	-	-
Public safety	58,598	577,758	-	-	-	3,840
Culture and recreation	637,361	577,758	55,763	-	-	3,840
Total expenditures	(268,110)	(290,331)	24,591	-	982	(3,352)
Excess of revenues over (under) expenditures						
OTHER FINANCING SOURCES (USES)						
Transfers in	469,310	319,310	-	150,000	-	-
Transfers out	(31,103)	(31,103)	-	-	-	-
Total other financing sources (uses)	438,207	288,207	-	150,000	-	-
Net change in fund balances						
Fund balances at January 1, 2006	1,523,412	2,124	133,244	1,350,000	24,483	13,561
Fund balances at December 31, 2006	\$ 1,693,509	\$ -	\$ 157,835	\$ 1,500,000	\$ 25,465	\$ 10,209

City of Muskegon

BUDGETARY COMPARISON SCHEDULE

Other Special Revenue Funds

For the year ended December 31, 2006

	L.C. Walker Arena			Criminal Forfeitures			Budget Stabilization		
	Final budget	Actual	Variance - positive (negative)	Final budget	Actual	Variance - positive (negative)	Final budget	Actual	Variance - positive (negative)
REVENUES									
Intergovernmental revenues - Local	\$ 233,229	\$ 231,186	\$ 54,000 \$ (2,043)	\$ 54,000	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	18,851	18,851	-	-	-
Fines and forfeitures	17	58	41	4,500	6,023	1,523	-	-	-
Investment earnings	-	2,183	2,183	55,480	55,480	-	-	-	-
Other									
Total revenues	233,246	287,427	54,181	78,831	80,354	1,523	-	-	-
EXPENDITURES									
Current									
Public safety	\$ 586,635	\$ 577,758	\$ 8,877	\$ 62,000	\$ 55,763	\$ 6,237	\$ -	\$ -	\$ -
Culture and recreation	<u>\$ 586,635</u>	<u>577,758</u>	<u>8,877</u>	<u>62,000</u>	<u>55,763</u>	<u>6,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total expenditures									
Excess of revenues over (under) expenditures	(353,389)	(290,331)	63,058	16,831	24,591	7,760	-	-	-
OTHER FINANCING SOURCES (USES)									
Transfers in	379,310	319,310	(60,000)	-	-	-	150,000	150,000	-
Transfers out	<u>(28,046)</u>	<u>(31,103)</u>	<u>(3,057)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>351,264</u>	<u>288,207</u>	<u>(63,057)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net change in fund balances	\$ <u>(2,125)</u>	\$ <u>(2,124)</u>	\$ <u>1</u>	\$ <u>16,831</u>	\$ <u>24,591</u>	\$ <u>7,760</u>	\$ <u>150,000</u>	\$ <u>150,000</u>	\$ <u>-</u>
Fund balances at January 1, 2006		2,124			133,244			1,350,000	
Fund balances at December 31, 2006		\$ <u>-</u>		\$ <u>157,835</u>			\$ <u>1,500,000</u>		

City of Muskegon

BUDGETARY COMPARISON SCHEDULE—CONTINUED

Other Special Revenue Funds

For the year ended December 31, 2006

	Farmers' Market Improvement			Tree Replacement		
	Final budget	Actual	Variance - positive (negative)	Final budget	Actual	Variance - positive (negative)
REVENUES						
Intergovernmental revenues - Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	850	982	132	500	488	(12)
Other	150	-	(150)	-	-	-
Total revenues	1,000	982	(18)	500	488	(12)
 EXPENDITURES						
Current	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Culture and recreation	1,000	-	1,000	-	-	3,840
Total expenditures	1,000	-	1,000	-	-	3,840
Excess of revenues over (under) expenditures	-	982	982	500	(3,352)	(3,852)
 OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	\$ -	982	\$ 982	\$ 500	(3,352)	\$ (3,852)
Fund balances at January 1, 2006		24,483			13,561	
Fund balances at December 31, 2006	\$ 25,465			\$ 10,209		

City of Muskegon
COMBINING BALANCE SHEET
Other Capital Projects Funds
December 31, 2006

	Total other capital projects funds	Sidewalk Replacement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Arena Capital Improvements
ASSETS								
Cash and investments	\$ 1,118,857	\$ 755,129	\$ 200,004	\$ 78,748	\$ -	\$ -	\$ -	\$ 84,976
Receivables								
Accounts and loans (net of allowance for uncollectibles)	451,308	-	-	20,946	428,222	-	-	2,140
717,832	717,832	-	-	-	-	-	-	-
Special assessments	698,365	-	-	-	100,435	524,533	73,397	-
Due from other governmental units								
Total assets	\$ 2,986,362	\$ 1,472,961	\$ 200,004	\$ 99,694	\$ 528,657	\$ 524,533	\$ 73,397	\$ 87,116
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 53,362	\$ -	\$ -	\$ -	\$ 1,273	\$ 43,344	\$ 1,015	\$ 7,730
Accrued liabilities	8,614	-	-	-	6,984	-	1,630	-
Due to other governmental units	169,727	-	-	-	-	169,727	-	-
Due to other funds	505,523	-	-	-	219,124	234,414	51,985	-
Deferred revenue	890,900	570,857	-	-	301,276	-	18,767	-
Total liabilities	1,628,126	570,857	-	-	528,657	447,485	73,397	7,730
Fund balances								
Reserved for capital projects	1,358,236	902,104	200,004	99,694	-	77,048	-	79,386
Total liabilities and fund balances	\$ 2,986,362	\$ 1,472,961	\$ 200,004	\$ 99,694	\$ 528,657	\$ 524,533	\$ 73,397	\$ 87,116

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Other Capital Projects Funds

For the year ended December 31, 2006

	Total other capital projects funds	Sidewalk Replacement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Arena Capital Improvements
REVENUES								
Intergovernmental revenues								
Federal	\$ 2,336,788	\$ -	\$ -	\$ -	\$ 1,160,223	\$ 787,233	\$ 389,332	\$ -
State	751,511	-	-	-	-	751,511	-	-
Charges for services	11,978	-	-	-	-	-	-	11,978
Investment earnings	88,870	77,177	7,733	2,455	1,110	-	-	395
Other	259,877	196,684	-	41,296	16,897	5,000	-	-
Total revenues	3,449,024	273,861	7,733	43,751	1,178,230	1,543,744	389,332	12,373
EXPENDITURES								
Debt service								
Principal	355,000	355,000	-	-	-	-	-	-
Interest and fees	78,175	78,175	-	-	-	-	-	-
Capital outlay	4,127,788	7,695	679	22,652	1,244,400	1,938,195	886,437	7,730
Total expenditures	4,560,963	440,870	679	22,652	1,244,400	1,938,195	886,437	7,730
Excess of revenues over (under) expenditures	(1,111,939)	(167,009)	7,054	21,099	(66,170)	(414,451)	(497,105)	4,643
OTHER FINANCING SOURCES (USES)								
Proceeds from sale of capital assets	563,275	-	-	-	66,170	-	497,105	-
Transfers in	725,416	150,000	-	-	-	500,673	-	74,743
Transfers out	(9,276)	-	-	-	-	(9,276)	-	-
Total other financing sources (uses)	1,279,415	150,000	-	-	66,170	491,397	497,105	74,743
Net change in fund balances	167,476	(17,009)	7,054	21,099	-	76,946	-	79,386
Fund balances at January 1, 2006	1,190,760	919,113	192,950	78,595	-	102	-	-
Fund balances at December 31, 2006	\$ 1,358,236	\$ 902,104	\$ 200,004	\$ 99,694	\$ -	\$ 77,048	\$ -	\$ 79,386

DESCRIPTION OF INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of a governmental unit or to other governments on a cost-reimbursement basis.

A list and description of internal service funds maintained by the City follows:

Engineering Services – to account for salary, benefit and other costs related to the provision of internal engineering services for City projects; to account for charges to the user funds and projects to cover those expenses.

Equipment – to account for the purchase, operation, maintenance and depreciation of all City-owned vehicles and equipment; to account for charges to the user funds and departments to cover those expenses.

General Insurance – to account for the payment of claims and benefits, excess liability premiums and operating expenses; to account for charges to other funds and departments to cover the expenses.

Public Service Building – to account for the operation, maintenance and depreciation of the City's Public Service Building; to account for charges to the user funds and departments to cover these expenses.

City of Muskegon
COMBINING STATEMENT OF NET ASSETS
Internal Service Funds
December 31, 2006

ASSETS				General Insurance		Public Service Building	
	Total internal service funds	Engineering Services	Equipment				
CURRENT ASSETS							
Cash and investments	\$ 2,876,194	\$ 149,528	\$ 1,614,451	\$ 841,326	\$ 468,580		\$ 270,889
Accounts receivable	481,338	4,501	8,257	-	-		-
Inventories	17,178	-	17,178	-	-		-
Prepaid items	226,607	1,553	24,195	199,489		1,370	
Total current assets	3,601,317	155,582	1,664,081	1,509,395			272,259
NONCURRENT ASSETS							
Capital assets							
Land	65,000	-	-	-	-		65,000
Land improvements	121,648	-	-	-	-		121,648
Buildings and improvements	1,562,717	-	-	-	-		1,562,717
Machinery and equipment	7,364,104	48,404	7,270,292	-	-		45,408
Less accumulated depreciation	(6,282,591)	(48,404)	(5,329,867)	-	-		(904,320)
Total noncurrent assets	2,830,878	-	1,940,425	-			890,453
Total assets	6,432,195	155,582	3,604,506	1,509,395			1,162,712
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	281,934	966	65,680	196,545			18,743
Accrued liabilities	31,010	9,838	15,115	-			6,057
Bonds and other obligations, due within one year	18,000	5,000	9,000	-			4,000
Total current liabilities	330,944	15,804	89,795	196,545			28,800
NONCURRENT LIABILITIES							
Bonds and other obligations, less amounts due within one year	91,552	28,326	42,535	-			20,691
Total liabilities	422,496	44,130	132,330	196,545			49,491
NET ASSETS							
Invested in capital assets	2,830,878	-	1,940,425	-			890,453
Unrestricted	3,178,821	111,452	1,531,751	1,312,850			222,768
Total net assets	\$ 6,009,699	\$ 111,452	\$ 3,472,176	\$ 1,312,850			\$ 1,113,221

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Internal Service Funds

For the year ended December 31, 2006

	Total internal service funds	Engineering Services	Equipment	General Insurance	Public Service Building
OPERATING REVENUES					
Charges for services	\$ 7,031,648	\$ 494,112	\$ 2,190,015	\$ 3,766,251	\$ 581,270
Other	306,657	20,354	81,719	204,584	-
Total operating revenues	7,338,305	514,466	2,271,734	3,970,835	581,270
OPERATING EXPENSES					
Administration	267,192	75,648	96,540	46,752	48,252
Insurance premiums and claims	3,968,555	-	3,968,555	-	-
Other operations	2,756,734	475,753	1,820,300	396	450,285
Depreciation	545,544	-	473,116	-	72,428
Total operating expenses	7,538,025	551,401	2,399,956	4,015,703	570,965
Operating income (loss)	(199,720)	(36,935)	(128,222)	(44,868)	10,305
NONOPERATING REVENUES					
Investment earnings	92,527	4,878	59,520	20,374	7,755
Gain on sale of capital assets	54,579	-	54,579	-	-
Total nonoperating revenues	147,106	4,878	114,099	20,374	7,755
Income (loss) before contributions and transfers	(52,614)	(32,057)	(14,123)	(24,494)	18,060
Capital contributions	107,356	-	-	107,356	-
Transfers in	28,045	-	-	28,045	-
Change in net assets	82,787	(32,057)	(14,123)	110,907	18,060
Net assets at January 1, 2006	5,926,912	143,509	3,486,299	1,201,943	1,095,161
Net assets at December 31, 2006	\$ 6,009,699	\$ 111,452	\$ 3,472,176	\$ 1,312,850	\$ 1,113,221

City of Muskegon

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds

For the year ended December 31, 2006

	Total internal service funds	Engineering Services	Equipment	General Insurance	Public Service Building
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 340,805	\$ 53,883	\$ 82,338	\$ 204,584	\$ -
Receipts from interfund services provided	7,031,648	494,112	2,190,015	3,766,251	581,270
Payments to suppliers	(5,444,252)	(126,180)	(1,364,413)	(3,671,118)	(282,541)
Payments to employees	(946,820)	(344,502)	(420,442)	(2,233)	(179,643)
Payments for interfund services used	(717,118)	(77,846)	(249,731)	(356,993)	(32,548)
Net cash provided by (used for) operating activities	264,263	(533)	237,767	(59,509)	86,538
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	28,045	-	-	28,045	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	107,356	-	-	107,356	-
Purchases of capital assets	(239,828)	-	(239,828)	-	-
Proceeds from sale of capital assets	63,119	-	63,119	-	-
Net cash provided by (used for) capital and related financing activities	(69,353)	-	(176,709)	107,356	-
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	92,527	4,878	59,520	20,374	7,755
Net increase in cash and investments	315,482	4,345	120,578	96,266	94,293
Cash and investments at January 1, 2006	2,560,712	145,183	1,493,873	745,060	176,596
Cash and investments at December 31, 2006	\$ 2,876,194	\$ 149,528	\$ 1,614,451	\$ 841,326	\$ 270,889
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (199,720)	\$ (36,935)	\$ (128,222)	\$ (44,868)	\$ 10,305
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	545,544	-	473,116	-	72,428
Change in assets and liabilities					
Receivables, net	34,954	33,529	619	806	-
Inventories	1,607	-	1,607	-	-
Prepaid items	(59,019)	(346)	2,749	(61,458)	36
Accounts payable	(71,141)	(1,513)	(119,250)	47,876	1,746
Accrued liabilities	12,038	4,732	7,148	(1,865)	2,023
Net cash provided by (used for) operating activities	\$ 264,263	\$ (533)	\$ 237,767	\$ (59,509)	\$ 86,538

DESCRIPTION OF FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments or other funds.

A list and description of the fiduciary funds maintained by the City follows:

PENSION TRUST FUNDS are used to account for public employee retirement systems.

General Employees Retirement System – to account for the funding of retirement for the general employees of the City by all funds and departments, for establishing and maintaining required reserves and the payment of retirement benefits to participants.

Policemen and Firemen Retirement System – to account for the funding of public safety employees' retirement by the general fund, for establishing and maintaining required reserves and the payment of retirement benefits to participants.

Retiree Healthcare – to account for the funding of retirement healthcare benefits for employees and retirees of the city in accordance with the provisions of P.A. 149 of 1999.

AGENCY FUNDS are used to account for assets held as an agent for another organization or individual.

Collector – to account for the collections and disbursement of funds to other entities and individuals and to account for payroll withholdings and their remittance to the appropriate governmental agencies.

Current Tax – to account for levy, collection and payment of taxes levied for the general and other funds of the City, county and public school districts.

Rehab Loan Escrow – to account for deposits made by housing rehabilitation program participants and their expenditures for the intended purposes.

City of Muskegon
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 Pension Trust Funds
 December 31, 2006

	General Employees Retirement System			Policemen and Firemen Retirement System			
	Total pension trust funds	Pension	Healthcare	Total	Pension	Healthcare	Total
ASSETS							
Cash and investments	\$ 32,555,447	\$ 14,208,746	\$ 3,023,671	\$ 17,232,417	\$ 7,271,686	\$ -	\$ 7,271,686
LIABILITIES							
Accounts payable	7,404	2,359	-	2,359	5,045	-	5,045
NET ASSETS							
Held in trust for benefits	\$ 32,548,043	\$ 14,206,387	\$ 3,023,671	\$ 17,230,058	\$ 7,266,641	\$ -	\$ 7,266,641

CITY OF MUSKEGON
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	General Employees Retirement System				Policemen and Firemen Retirement System				Retiree Healthcare
	Total pension trust funds	Pension	Healthcare	Total	Pension	Healthcare	Total		
ADDITIONS									
Contributions	\$ 2,224,336	\$ 275,772	\$ -	\$ 275,772	\$ 802,680	\$ -	\$ 802,680	\$ 1,145,884	
Employer	426,375	165,471	-	165,471	260,904	-	260,904	-	
Plan members									
Total contributions	2,650,711	441,243	-	441,243	1,063,584	-	1,063,584	1,145,884	
Investment earnings									
Interest and dividends	149,519	83,222	-	83,222	62,443	-	62,443	3,854	
Net increase (decrease) in fair value of investments	4,335,260	2,084,285	(89,447)	1,994,838	2,010,082	(463,417)	1,546,665	793,757	
Total net investment earnings	4,484,779	2,167,507	(89,447)	2,078,060	2,072,525	(463,417)	1,609,108	797,611	
Total additions	7,135,490	2,608,750	(89,447)	2,519,303	3,136,109	(463,417)	2,672,692	1,943,495	
DEDUCTIONS									
Benefits	3,098,344	1,102,925	-	1,102,925	1,995,419	-	1,995,419	-	
Refunds of contributions	40,124	7,631	-	7,631	32,493	-	32,493	-	
Plan assets transferred to									
Municipal Employees Retirement System	53,584,020	14,308,795	-	14,308,795	39,275,225	-	39,275,225	-	
Administrative expenses	174,285	87,277	-	87,277	81,552	-	81,552	5,456	
Healthcare costs	1,022,121	-	351,182	351,182	-	670,939	670,939	-	
Total deductions	57,918,894	15,306,628	351,182	15,857,810	41,384,689	670,939	42,055,628	5,456	
Interfund transfers in (out)									
Change in net assets									
Net assets at January 1, 2006	(50,783,404)	(13,073,876)	(264,631)	(13,338,507)	(38,250,762)	(1,132,174)	(39,382,936)	1,938,039	
Net assets at December 31, 2006	83,331,447	27,280,263	3,288,302	30,568,565	45,517,403	1,132,174	46,649,577	6,113,305	
	\$ 32,548,043	\$ 14,206,387	\$ 3,023,671	\$ 17,230,058	\$ 7,266,641	\$ -	\$ 7,266,641	\$ 8,051,344	

City of Muskegon

COMBINING STATEMENT OF ASSETS AND LIABILITIES

Agency Funds

December 31, 2006

	Total agency funds	Collector	Current tax	Rehab Loan Escrow
ASSETS				
Cash and investments				
Receivables				
Accounts	\$ 5,557,253	\$ 947,378	\$ 4,609,875	\$ -
Property taxes	900	900	-	-
	<u>16,603,887</u>	<u>-</u>	<u>16,603,887</u>	<u>-</u>
Total assets	<u><u>\$ 22,162,040</u></u>	<u><u>\$ 948,278</u></u>	<u><u>\$ 21,213,762</u></u>	<u><u>\$ -</u></u>
LIABILITIES				
Accounts payable	\$ 121,981	\$ 121,981	\$ -	\$ -
Due to other governmental units	21,666,714	483,071	21,183,643	-
Deposits held for others	<u>373,345</u>	<u>343,226</u>	<u>30,119</u>	<u>-</u>
Total liabilities	<u><u>\$ 22,162,040</u></u>	<u><u>\$ 948,278</u></u>	<u><u>\$ 21,213,762</u></u>	<u><u>\$ -</u></u>

CITY OF MUSKEGON
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Agency Funds

For the year ended December 31, 2006

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
COLLECTOR FUND				
ASSETS				
Cash and investments	\$ 1,377,608	\$ 13,635,696	\$ 14,065,926	\$ 947,378
Accounts receivable	900	245,704	245,704	900
Total assets	\$ 1,378,508	\$ 13,881,400	\$ 14,311,630	\$ 948,278
LIABILITIES				
Accounts payable	\$ 1,046	\$ 6,252,681	\$ 6,131,746	\$ 121,981
Due to other governmental units	314,780	2,133,054	1,964,763	483,071
Deposits held for others	1,062,682	4,089,148	4,808,604	343,226
Total liabilities	\$ 1,378,508	\$ 12,474,883	\$ 12,905,113	\$ 948,278
CURRENT TAX FUND				
ASSETS				
Cash and investments	\$ 2,987,219	\$ 33,971,336	\$ 32,348,680	\$ 4,609,875
Property taxes receivable	18,865,604	21,183,643	23,445,360	16,603,387
Total assets	\$ 21,852,823	\$ 55,154,979	\$ 55,794,040	\$ 21,213,762
LIABILITIES				
Due to other governmental units	\$ 21,847,039	\$ 21,183,643	\$ 21,847,039	\$ 21,183,643
Due to other funds	-	8,359,676	8,359,676	-
Due to component units	-	410,215	410,215	-
Deposits held for others	5,784	89,787	65,452	30,119
Total liabilities	\$ 21,852,823	\$ 30,043,321	\$ 30,682,382	\$ 21,213,762
REHAB LOAN ESCROW FUND				
ASSETS				
Cash and investments	\$ -	\$ 18,399	\$ 18,399	\$ -
LIABILITIES				
Accounts payable	\$ -	\$ 18,399	\$ 18,399	\$ -
ALL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 4,364,827	\$ 47,625,431	\$ 46,433,005	\$ 5,557,253
Receivables				
Accounts	900	245,704	245,704	900
Property taxes	18,865,604	21,183,643	23,445,360	16,603,387
Total assets	\$ 23,231,331	\$ 69,054,778	\$ 70,124,069	\$ 22,162,040
LIABILITIES				
Accounts payable	\$ 1,046	\$ 6,271,080	\$ 6,150,145	\$ 121,981
Due to other governmental units	22,161,819	23,316,697	23,811,802	21,666,714
Due to other funds	-	8,359,676	8,359,676	-
Due to component units	-	410,215	410,215	-
Deposits held for others	1,068,466	4,178,935	4,874,056	373,345
Total liabilities	\$ 23,231,331	\$ 42,336,603	\$ 43,605,894	\$ 22,162,040

DESCRIPTION OF DISCRETELY PRESENTED COMPONENT UNITS

A list and description of the discretely presented component units maintained by the City are as follows:

Downtown Development Authority – to account for the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the downtown.

Local Development Finance Authority – to account for the collection of tax increment revenues and the construction of public facilities. Three separate local development finance authority districts have been created:

Local Development Finance Authority I – to promote and facilitate economic growth in the Port City Industrial Park.

Local Development Finance Authority II – to promote and facilitate economic growth in the Medendorp Industrial Park.

Local Development Finance Authority III – to promote and facilitate economic growth in the SmartZone Hi-Tech Park.

Tax Increment Finance Authority – to account for the collection of tax increment revenues, the issuance and repayment of debt to promote and facilitate economic growth in a sub section of the downtown.

City of Muskegon
COMBINING BALANCE SHEET
 Discretely Presented Component Units
 December 31, 2006

	Total discretely presented component units	Local Development Finance Authority I	Local Development Finance Authority II	Local Development Finance Authority III	Downtown Development Authority	Tax Increment Finance Authority
ASSETS						
Cash and investments	\$ 137,288	\$ 323	\$ 23,216	\$ 104,991	\$ -	\$ 8,758
Property taxes receivable	482,050	-	-	26,513	398,702	56,835
Total assets	\$ 619,338	\$ 323	\$ 23,216	\$ 131,504	\$ 398,702	\$ 65,593
LIABILITIES AND FUND BALANCES (DEFICIT)						
Liabilities						
Due to primary government	\$ 103,996	\$ -	\$ -	\$ -	\$ 103,996	\$ -
Deferred revenue	482,050	-	-	26,513	398,702	56,835
Total liabilities	586,046	-	-	26,513	502,698	56,835
Fund balances (deficit)						
Unreserved	33,292	\$ 323	\$ 23,216	\$ 104,991	(103,996)	8,758
Total liabilities and fund balances (deficit)	\$ 619,338	\$ 323	\$ 23,216	\$ 131,504	\$ 398,702	\$ 65,593

City of Muskegon
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 Discretely Presented Component Units
 December 31, 2006

Total fund balance—governmental funds		\$ 33,292
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Capital assets	\$ 4,198,258	
Accumulated depreciation	<u>(532,332)</u>	3,665,926
Bond issuance costs are not capitalized and amortized in the governmental funds.		
Bond issuance costs	141,966	
Accumulated amortization	<u>(24,690)</u>	117,276
Accrued interest in governmental activities is not reported in the governmental funds.		
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		<u>(8,823,140)</u>
Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>(5,052,646)</u></u>

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)

Discretely Presented Component Units

For the year ended December 31, 2006

	Total discretely presented component units	Local Development Finance Authority I	Local Development Finance Authority II	Development Finance Authority III	Downtown Development Authority	Tax Increment Finance Authority
REVENUES						
Property taxes	\$ 427,049	\$ -	\$ -	\$ 17,908	\$ 350,401	\$ 58,740
Intergovernmental revenues - State	499,537	-	-	-	499,537	-
Investment earnings	15,416	11	895	10,183	3,664	663
Total revenues	942,002	11	895	28,091	853,602	59,403
EXPENDITURES						
Current						
Community and economic development	715,927	-	-	-	661,927	54,000
Debt service	200,000	-	-	-	200,000	-
Principal	351,240	-	-	-	145,743	-
Interest and fees	1,267,167	-	-	205,497	1,007,670	54,000
Total expenditures	(325,165)	11	895	(177,406)	(154,068)	5,403
Net change in fund balances	358,457	312	22,321	282,397	50,072	3,355
Fund balances at January 1, 2006	\$ 33,292	\$ 323	\$ 23,216	\$ 104,991	\$ (103,996)	\$ 8,758
Fund balances (deficit) at December 31, 2006						

City of Muskegon

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

Discretely Presented Component Units

For the year ended December 31, 2006

Net change in fund balances—total governmental funds	\$ (325,165)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities, these costs are depreciated and amortized over their estimated useful lives, respectively.	(178,821)
Depreciation and amortization expense	
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	199,421
Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.	700
Change in net assets of governmental activities	\$ <u><u>(303,865)</u></u>

SCHEDULE OF INDEBTEDNESS

City of Muskegon

SCHEDULE OF INDEBTEDNESS

December 31, 2006

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	2005	2006	Annual Interest Payable
Business-Type Activities Bonds and Loans Payable:							
Water supply system bonds (\$11,315 unamortized discount)	10/1/1993	\$ 5,465,000	0.00%	05/01/07	\$ -	\$ -	\$ 40,500
			0.00%	05/01/08	-	-	40,500
			0.00%	05/01/09	-	-	40,500
			0.00%	05/01/10	-	-	40,500
			0.00%	05/01/11	-	-	40,500
			4.50%	05/01/12	450,000	450,000	30,375
			4.50%	05/01/13	450,000	450,000	10,121
					900,000	900,000	242,996
Water supply system bonds (\$53,762 unamortized discount)	3/2/1999	\$ 9,575,000	4.05%	05/01/06	455,000	-	-
			4.05%	05/01/07	470,000	470,000	308,168
			4.05%	05/01/08	490,000	490,000	288,728
			4.10%	05/01/09	510,000	510,000	268,350
			4.20%	05/01/10	535,000	535,000	246,660
			4.30%	05/01/11	555,000	555,000	223,493
			4.35%	05/01/12	130,000	130,000	208,733
			4.40%	05/01/13	155,000	155,000	202,495
			4.50%	05/01/14	635,000	635,000	184,798
			4.55%	05/01/15	665,000	665,000	155,381
			4.60%	05/01/16	695,000	695,000	124,268
			4.65%	05/01/17	730,000	730,000	91,310
			4.75%	05/01/18	765,000	765,000	56,169
			4.75%	05/01/19	800,000	800,000	19,000
					7,590,000	7,135,000	2,377,553
Drinking Water State Revolving Fund (DWSRF)	3/2/2004	\$ 13,900,000	2.13%	10/01/06	565,000	-	-
			2.13%	10/01/07	575,000	575,000	283,369
			2.13%	10/01/08	590,000	590,000	271,150
			2.13%	10/01/09	600,000	600,000	258,613
			2.13%	10/01/10	615,000	615,000	245,863
			2.13%	10/01/11	630,000	630,000	232,794
			2.13%	10/01/12	640,000	640,000	219,406
			2.13%	10/01/13	655,000	655,000	205,806
			2.13%	10/01/14	670,000	670,000	191,888
			2.13%	10/01/15	685,000	685,000	177,650
			2.13%	10/01/16	695,000	695,000	163,094
			2.13%	10/01/17	710,000	710,000	148,325
			2.13%	10/01/18	725,000	725,000	133,238
			2.13%	10/01/19	745,000	745,000	117,831
			2.13%	10/01/20	760,000	760,000	102,000
			2.13%	10/01/21	775,000	775,000	85,850
			2.13%	10/01/22	790,000	790,000	69,382
			2.13%	10/01/23	810,000	810,000	52,594
			2.13%	10/01/24	825,000	825,000	35,381
			2.13%	10/01/25	840,000	840,000	17,850
					13,900,000	13,335,000	3,012,084
Contractual obligation for County wastewater debt retirement - refunding bonds	11/6/2002	\$ 6,990,000	5.00%	07/01/06	1,058,767	-	-
			5.00%	07/01/07	1,048,826	1,232,894	104,386
			5.00%	07/01/08	1,038,885	1,221,207	51,944
					3,146,478	2,454,101	156,330
Contractual obligation for County wastewater debt retirement	10/1/2006	\$ 6,497,750	1.63%	10/01/08	459,539	3,537,549	-
					459,539	3,537,549	-
TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE					\$ 25,996,017	\$ 27,361,650	\$ 5,788,963

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

December 31, 2006

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	2005	2006	Annual Interest Payable
Governmental Activities Bonds and Loans Payable:							
Installment purchase contract of 2005 (firetrucks)	7/26/2005	\$ 605,824	3.83%	04/01/06	\$ 49,785	\$ -	\$ -
			3.83%	04/01/07	51,921	51,921	20,302
			3.83%	04/01/08	54,148	54,148	18,271
			3.83%	04/01/09	56,471	56,471	16,153
			3.83%	04/01/10	58,894	58,894	13,944
			3.83%	04/01/11	61,420	61,420	11,639
			3.83%	04/01/12	64,055	64,055	9,236
			3.83%	04/01/13	66,803	66,803	6,731
			3.83%	04/01/14	69,669	69,669	4,117
			3.83%	04/01/15	72,658	72,658	1,391
					605,824	556,039	101,784
Special assessment improvement bonds of 1998 (sidewalks)	10/1/1998	\$ 1,495,000	4.00%	04/01/06	165,000	-	-
			4.00%	04/01/07	130,000	130,000	8,800
			4.00%	04/01/08	95,000	95,000	4,300
			4.00%	04/01/09	60,000	60,000	1,200
					450,000	285,000	14,300
Special assessment improvement bonds of 2000 (sidewalks)	12/1/2000	\$ 825,000	4.65%	04/01/06	85,000	-	-
			4.70%	04/01/07	90,000	90,000	13,860
			4.80%	04/01/08	85,000	85,000	9,705
			4.90%	04/01/09	85,000	85,000	5,583
			5.00%	04/01/10	70,000	70,000	1,746
					415,000	330,000	30,894
Capital improvement bonds of 2003 (sidewalks)	3/1/2003	\$ 1,575,000	2.00%	06/01/06	105,000	-	-
			2.38%	06/01/07	110,000	110,000	43,168
			2.88%	06/01/08	110,000	110,000	40,280
			3.13%	06/01/09	115,000	115,000	36,902
			3.50%	06/01/10	120,000	120,000	33,005
			3.50%	06/01/11	120,000	120,000	28,805
			3.70%	06/01/12	125,000	125,000	24,393
			3.80%	06/01/13	130,000	130,000	19,610
			3.90%	06/01/14	135,000	135,000	14,508
			4.00%	06/01/15	145,000	145,000	8,975
			4.05%	06/01/16	150,000	150,000	3,038
					1,365,000	1,260,000	252,682
Capital improvement bonds of 2006 (fire station, recreation) (\$17,593 unamortized discount)	10/24/2006	\$ 5,400,000	0.00%	10/01/07	-	-	205,144
			4.00%	10/01/08	-	45,000	219,145
			4.00%	10/01/09	-	50,000	217,345
			4.00%	10/01/10	-	70,000	215,345
			4.00%	10/01/11	-	70,000	212,545
			4.00%	10/01/12	-	70,000	209,745
			4.00%	10/01/13	-	70,000	206,945
			4.00%	10/01/14	-	70,000	204,145
			4.00%	10/01/15	-	70,000	201,345
			4.00%	10/01/16	-	70,000	198,545
			4.00%	10/01/17	-	70,000	195,745
			4.00%	10/01/18	-	70,000	192,945
			4.00%	10/01/19	-	295,000	190,145
			4.00%	10/01/20	-	305,000	178,345
			4.00%	10/01/21	-	315,000	166,145
			4.00%	10/01/22	-	315,000	153,545
			4.00%	10/01/23	-	320,000	140,945
			4.00%	10/01/24	-	340,000	128,145
			4.00%	10/01/25	-	345,000	114,545
			4.00%	10/01/26	-	345,000	100,745
			4.10%	10/01/27	-	345,000	86,945
			4.10%	10/01/28	-	350,000	72,800
			4.10%	10/01/29	-	350,000	58,450
			4.20%	10/01/30	-	350,000	44,100
			4.20%	10/01/31	-	350,000	29,400
			4.20%	10/01/32	-	350,000	14,700
					-	5,400,000	3,957,894

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

December 31, 2006

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	2005	2006	Annual Interest Payable
Governmental Activities Bonds and Loans Payable:							
State of Michigan urban land assembly loan	12/15/1999	\$ 1,276,900	0.00%	10/31/06	150,000	-	-
			0.00%	10/31/07	200,000	200,000	-
			0.00%	10/31/08	200,000	200,000	-
			0.00%	10/31/09	276,900	276,900	-
					826,900	676,900	-
State of Michigan urban land assembly loan	8/1/2005	\$ 700,000	0.00%	09/01/06	20,000	-	-
			0.00%	09/01/07	20,000	20,000	-
			0.00%	09/01/08	20,000	20,000	-
			0.00%	09/01/09	20,000	20,000	-
			0.00%	09/01/10	20,000	20,000	-
			0.00%	09/01/11	120,000	120,000	-
			0.00%	09/01/12	120,000	120,000	-
			0.00%	09/01/13	116,076	120,000	-
			0.00%	09/01/14	-	120,000	-
			0.00%	09/01/15	-	120,000	-
					456,076	680,000	-
Michigan transportation fund refunding bonds (\$1,153 unamortized premium)	10/1/2002	\$ 2,245,000	2.50% 2.88% 3.13%	06/01/06 06/01/07 06/01/08	385,000 400,000 390,000	- 400,000 390,000	- 17,937 6,093
					1,175,000	790,000	24,030
Michigan transportation fund bonds	11/1/1997	\$ 1,950,000	4.20% 4.25%	12/01/06 12/01/07	230,000 240,000	- 240,000	- 10,200
					470,000	240,000	10,200
TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE					\$ 5,763,800	\$ 10,217,939	\$ 4,391,784
TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE					\$ 31,759,817	\$ 37,579,589	\$ 10,180,747

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

December 31, 2006

Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	2005	2006	Annual Interest Payable
Discretely Presented Component Unit Bonds and Loans Payable:						
Downtown Development Authority promissory note to Muskegon County	8/10/1989 \$ 1,000,000	0.00%	08/30/19	\$ 1,000,000	\$ 1,000,000	\$ -
				\$ 1,000,000	\$ 1,000,000	\$ -
Downtown Development Authority refunding bonds	9/1/2001 \$ 4,005,000	4.00%	06/01/06	200,000	-	-
		4.00%	06/01/07	200,000	200,000	137,492
		4.00%	06/01/08	210,000	210,000	129,292
		4.20%	06/01/09	220,000	220,000	120,472
		4.25%	06/01/10	230,000	230,000	110,964
		4.35%	06/01/11	240,000	240,000	100,857
		4.45%	06/01/12	245,000	245,000	90,187
		4.55%	06/01/13	260,000	260,000	78,821
		4.65%	06/01/14	270,000	270,000	66,628
		4.75%	06/01/15	280,000	280,000	53,700
		4.85%	06/01/16	300,000	300,000	39,775
		5.00%	06/01/17	315,000	315,000	24,625
		5.00%	06/01/18	335,000	335,000	8,375
				3,305,000	3,105,000	961,188
Local Development Finance Authority Smartzone Bonds (\$6,860 unamortized discount)	11/1/2002 \$ 4,725,000	0.00%	11/01/06	-	-	-
		3.25%	11/01/07	80,000	80,000	205,147
		3.50%	11/01/08	80,000	80,000	202,547
		3.63%	11/01/09	80,000	80,000	199,747
		3.88%	11/01/10	80,000	80,000	196,847
		3.88%	11/01/11	80,000	80,000	193,747
		4.00%	11/01/12	180,000	180,000	190,647
		3.90%	11/01/13	240,000	240,000	183,447
		4.05%	11/01/14	305,000	305,000	174,087
		4.05%	11/01/15	325,000	325,000	161,736
		4.15%	11/01/16	340,000	340,000	148,572
		4.25%	11/01/17	355,000	355,000	134,462
		4.35%	11/01/18	375,000	375,000	119,376
		4.45%	11/01/19	395,000	395,000	103,062
		4.60%	11/01/20	400,000	400,000	85,486
		4.60%	11/01/21	255,000	255,000	67,086
		4.60%	11/01/22	265,000	265,000	55,356
		4.85%	11/01/23	280,000	280,000	43,166
		4.85%	11/01/24	295,000	295,000	29,586
		4.85%	11/01/25	315,000	315,000	15,278
				4,725,000	4,725,000	2,509,382
TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE				\$ 9,030,000	\$ 8,830,000	\$ 3,470,570
TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE				\$ 40,789,817	\$ 46,409,589	\$ 13,651,317

Statistical Section

This part of the City of Muskegon's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	122
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	126
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	128
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	132
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	134

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Muskegon

NET ASSETS BY COMPONENT

Last Five Fiscal Years

	2002	2003	2004	2005	2006
<u>Governmental Activities</u>					
Invested in Capital Assets, net of related debt	\$ 23,793,307	\$ 32,120,134	\$ 40,663,844	\$ 67,119,658	\$ 69,813,557
Restricted	4,461,791	5,674,787	5,209,654	5,420,482	5,378,669
Unrestricted	8,678,107	9,286,551	7,407,355	7,811,489	8,778,786
Total Governmental Net Assets	<u>\$ 36,933,205</u>	<u>\$ 47,081,472</u>	<u>\$ 53,280,853</u>	<u>\$ 80,351,629</u>	<u>\$ 83,971,012</u>
<u>Business-type Activities</u>					
Invested in Capital Assets, net of related debt	\$ 26,226,230	\$ 27,808,792	\$ 31,609,016	\$ 36,742,669	\$ 39,441,912
Restricted	822,559	822,559	822,559	822,559	822,559
Unrestricted	11,647,943	10,488,022	8,647,716	6,663,563	6,910,247
Total Business-type Activities Net Assets	<u>\$ 38,696,732</u>	<u>\$ 39,119,373</u>	<u>\$ 41,079,291</u>	<u>\$ 44,228,791</u>	<u>\$ 47,174,718</u>
<u>Primary Government</u>					
Invested in Capital Assets, net of related debt	\$ 50,019,537	\$ 59,928,926	\$ 72,272,860	\$ 103,862,327	\$ 109,255,469
Restricted	5,284,350	6,497,346	6,032,213	6,243,041	6,201,228
Unrestricted	20,326,050	19,774,573	16,055,071	14,475,052	15,689,033
Total Primary Government Net Assets	<u>\$ 75,629,937</u>	<u>\$ 86,200,845</u>	<u>\$ 94,360,144</u>	<u>\$ 124,580,420</u>	<u>\$ 131,145,730</u>

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information starting that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon

CHANGES IN NET ASSETS

Last Five Fiscal Years

	2002	2003	2004	2005	2006
EXPENSES					
Governmental Activities					
Public representation	\$ 986,121	\$ 887,496	\$ 866,669	\$ 885,365	\$ 904,109
Administrative services	1,287,066	1,227,407	1,132,229	803,783	732,715
Financial services	1,854,425	1,842,653	1,809,136	1,872,159	2,061,836
Public safety	11,576,135	11,583,282	12,164,389	12,481,826	13,059,358
Public works	2,830,133	2,947,194	2,847,755	2,853,497	3,089,522
Highways, streets and bridges	2,880,522	3,483,032	3,879,462	5,910,307	5,672,590
Community and economic development	4,014,780	3,371,472	2,652,497	3,693,187	3,383,157
Culture and recreation	3,009,092	3,042,315	2,468,059	2,504,692	2,464,567
General administration	1,750,068	1,601,112	1,725,225	1,608,108	1,143,963
Interest on long-term debt	308,405	223,717	193,021	170,814	206,768
Total Governmental Activities Expenses	30,496,747	30,209,680	29,738,442	32,783,738	32,718,585
Business-type Activities					
Water	4,037,961	4,538,186	4,122,822	4,181,855	4,500,578
Sewer	3,441,306	3,416,372	3,745,156	3,953,838	5,006,594
Marina and launch ramp	292,991	325,401	351,705	343,599	332,826
Total Business-type Activities Expenses	7,772,258	8,279,959	8,219,683	8,479,292	9,839,998
Total Primary Government Expenses	\$ 38,269,005	\$ 38,489,639	\$ 37,958,125	\$ 41,263,030	\$ 42,558,583
PROGRAM REVENUES					
Governmental Activities					
Charges for Services					
Public representation	\$ 187,069	\$ 204,435	\$ 210,238	\$ 195,316	\$ 202,939
Administrative services	272,060	292,665	314,028	311,529	306,964
Financial services	569,756	591,174	645,166	537,445	728,332
Public safety	1,184,337	1,162,175	1,098,793	1,116,755	1,134,686
Public works	255,004	266,045	452,606	467,849	588,566
Highways, streets and bridges	134,059	273,893	555,018	267,689	263,423
Community and economic development	736,335	977,448	414,543	815,980	762,220
Culture and recreation	1,064,947	1,026,822	1,151,687	1,141,865	809,228
General administration	112,045	122,447	200,434	314,658	170,240
Operating grants and contributions	5,497,188	5,613,628	6,008,978	6,017,421	5,093,355
Capital grants and contributions	5,383,088	10,494,617	5,785,604	5,894,358	5,360,014
Total Governmental Program Revenues	15,395,888	21,025,349	16,837,095	17,080,865	15,419,967
Business-type Activities					
Water	3,966,548	4,131,126	4,977,320	6,912,719	6,342,110
Sewer	4,017,185	4,057,743	4,083,591	4,149,187	4,803,702
Marina and launch ramp	277,311	274,258	266,981	248,460	267,412
Operating grants and contributions	499,483	-	-	-	-
Capital grants and contributions	-	256,612	657,521	100,373	710,641
Total Business-type program revenues	8,760,527	8,719,739	9,985,413	11,410,739	12,123,865
Total Primary Government program revenues	\$ 24,156,415	\$ 29,745,088	\$ 26,822,508	\$ 28,491,604	\$ 27,543,832
NET (EXPENSE) REVENUE					
Governmental Activities	(15,100,859)	(9,184,331)	(12,901,347)	(15,702,873)	(17,298,618)
Business-type Activities	988,269	439,780	1,765,730	2,931,447	2,283,867
Total Primary Government net expense	\$ 988,269	\$ 439,780	\$ 1,765,730	\$ (12,771,426)	\$ (15,014,751)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
Governmental Activities					
Property taxes	\$ 7,175,562	\$ 7,029,393	\$ 6,962,453	\$ 7,670,384	\$ 7,846,707
Income taxes	6,877,237	6,644,708	7,326,811	7,238,552	7,673,696
Franchise fees	258,425	265,532	-	286,265	285,124
Grants and contributions not restricted for specific programs	5,353,987	4,938,861	4,645,348	4,627,915	4,674,157
Unrestricted investment earnings	485,080	281,492	170,094	420,595	832,300
Miscellaneous	61,633	109,620	68,405	70,402	64,645
Gain on sale of capital asset	252,004	62,992	70,886	300,037	81,372
Transfers	1,845	-	(142,420)	(80,000)	(540,000)
Total Governmental Program Revenues	20,465,773	19,332,598	19,101,577	20,534,150	20,918,001
Business-type Activities					
Unrestricted investment earnings	107,330	71,628	51,768	138,053	122,060
Gain on sale of capital asset	-	(88,767)	-	-	-
Transfers	(1,845)	-	142,420	80,000	540,000
Total Business-type program revenues	105,485	(17,139)	194,188	218,053	662,060
Total Primary Government program revenues	\$ 20,571,258	\$ 19,315,459	\$ 19,295,765	\$ 20,752,203	\$ 21,580,061
CHANGE IN NET ASSETS					
Governmental Activities	5,364,914	10,148,267	6,200,230	4,831,277	3,619,383
Business-type Activities	1,093,754	422,641	1,959,918	3,149,500	2,945,927
Total Primary Government	\$ 6,458,668	\$ 10,570,908	\$ 8,160,148	\$ 7,980,777	\$ 6,565,310

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City of Muskegon

FUND BALANCE OF GOVERNMENTAL FUNDS**Last Ten Fiscal Years**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved	\$ 31,541	\$ 37,719	\$ 38,993	\$ 78,998	\$ 75,337	\$ 173,696	\$ 110,642	\$ 74,349	\$ 79,356	\$ 177,076
Unreserved	\$ 1,942,589	\$ 2,021,357	\$ 1,459,883	\$ 2,872,737	\$ 3,087,031	\$ 2,634,300	\$ 2,320,776	\$ 2,370,842	\$ 2,440,249	\$ 2,512,963
Total general fund	\$ 1,974,130	\$ 2,059,076	\$ 1,498,876	\$ 2,951,735	\$ 3,162,368	\$ 2,807,996	\$ 2,431,418	\$ 2,445,191	\$ 2,519,605	\$ 2,690,039
All other governmental funds										
Reserved	\$ 2,477,388	\$ 2,261,033	\$ 2,265,315	\$ 2,562,867	\$ 2,533,419	\$ 2,309,214	\$ 1,159,364	\$ 1,187,662	\$ 2,915,106	\$ 7,044,394
Unreserved, reported in:										
Special revenue funds	3,897,464	6,268,228	5,361,411	4,900,500	4,579,430	3,785,857	3,254,746	2,692,431	2,910,285	3,030,096
Debt service	-	-	-	-	-	-	153,955	-	-	-
Capital project funds	631,570	1,832,945	2,848,138	2,361,991	2,143,770	1,614,636	3,849,868	2,187,667	1,239,763	-
Permanent funds	67,382	64,034	26,834	60,779	91,707	102,837	63,798	22,396	22,890	77,300
Total all other governmental funds	\$ 7,073,804	\$ 10,426,240	\$ 10,501,698	\$ 9,886,137	\$ 9,348,326	\$ 7,812,544	\$ 8,481,731	\$ 6,090,656	\$ 7,088,044	\$ 10,151,790

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City of Muskegon

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 11,447,728	\$ 11,980,969	\$ 12,090,941	\$ 12,969,769	\$ 12,996,607	\$ 13,607,863	\$ 13,306,798	\$ 13,767,040	\$ 14,521,769	\$ 15,052,708
Intergovernmental	12,568,782	12,594,062	10,070,273	16,045,805	15,847,954	15,473,320	18,879,071	15,448,865	15,445,949	14,703,371
Charges for services	2,709,438	2,866,858	2,706,390	3,149,195	2,847,201	3,010,798	3,307,607	3,437,220	3,147,066	2,938,246
Other	3,052,564	4,015,304	3,848,561	4,528,702	4,965,889	3,872,459	3,629,983	3,828,223	4,134,604	3,758,956
Total revenues	29,778,512	31,457,193	28,716,165	36,653,471	36,657,651	35,964,440	39,123,459	36,481,348	37,249,388	36,453,281
Expenditures										
Public representation	711,288	699,594	727,900	807,496	903,378	985,107	889,188	869,342	886,717	903,895
Administrative services	697,821	701,724	727,016	759,653	816,581	785,966	704,667	748,588	669,789	669,789
Financial services	1,555,096	1,557,594	1,549,115	1,555,890	1,679,979	1,797,662	1,846,558	1,829,276	1,905,714	2,056,580
Public safety	8,734,622	9,492,494	10,343,279	11,110,085	11,136,752	11,514,151	11,439,487	12,277,677	12,624,532	13,002,233
Public works	2,587,188	2,517,806	2,738,257	2,668,788	2,678,089	2,680,695	2,731,241	2,543,512	2,661,073	2,730,415
Highways, streets and bridges	3,339,029	4,629,033	4,896,257	7,894,893	8,309,988	8,816,305	11,800,017	9,531,840	8,023,539	763,211
Community and economic development	1,549,156	1,668,148	1,338,643	931,336	948,756	971,335	987,097	797,072	784,396	763,211
Culture and recreation	2,100,207	2,329,626	2,345,712	2,637,586	2,610,935	2,624,275	2,259,699	2,197,276	2,190,835	2,190,835
Other governmental functions	2,320,592	1,826,567	1,698,394	1,252,351	1,441,234	1,798,345	1,589,572	1,708,868	1,603,292	1,139,148
Debt service										
Principal	1,175,043	1,427,830	2,186,334	1,420,462	1,425,741	1,345,000	1,270,000	1,335,000	1,115,000	1,189,785
Interest and issuance costs	447,103	485,792	502,852	380,123	367,317	316,255	230,907	201,447	166,071	271,233
Capital outlay	4,962,536	4,713,659	2,754,575	6,212,205	5,338,105	4,721,155	4,496,631	6,139,597	3,734,082	6,066,783
Total expenditure	30,179,681	32,072,867	31,791,687	37,368,994	37,368,994	37,584,615	38,373,526	40,690,939	39,321,088	37,956,581
Excess of revenues over (under) expenditures	(401,169)	(615,674)	(3,075,522)	(675,523)	(926,964)	(2,409,086)	(1,567,480)	(2,839,740)	(709,193)	(2,554,165)
Other financing sources (uses)										
Transfers in	2,097,051	2,671,947	1,799,463	2,367,561	2,713,591	2,059,336	2,740,742	3,342,612	1,839,631	2,358,509
Transfers out	(1,987,296)	(2,357,556)	(1,964,092)	(2,336,039)	(2,403,591)	(2,047,491)	(2,740,742)	(3,233,369)	(1,947,677)	(2,926,554)
Bonds issued	-	3,445,00	1,276,900	825,000	-	106,807	1,578,009	-	1,061,900	5,626,331
Sale of capital assets	521,944	218,107	247,361	356,299	289,756	400,280	282,080	483,544	827,141	1,120,341
Total all other governmental funds	631,699	3,977,498	1,359,632	1,212,821	599,786	518,932	1,860,089	592,787	1,780,995	6,178,627
Net change in fund balances	\$ 230,530	\$ 3,361,824	\$ (1,715,890)	\$ 537,298	\$ (327,178)	\$ (1,890,154)	\$ 292,609	\$ (2,246,953)	\$ 1,071,802	\$ 3,624,462
Debt service as a percentage of noncapital expenditures	6.43%	6.99%	9.26%	5.78%	5.56%	4.94%	4.15%	4.63%	3.74%	4.44%

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City of Muskegon

GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE

Last Ten Fiscal Years

Year	Property Tax	% of Total	Income Tax	% of Total	Intergovernmental	% of Service	Charges for Service	% of Total	Licenses and Permits	% of Total	Fines and Fees	% of Total	Interest and Rent	% of Total	Other	% of Total	Total (b)	% Change
1996	\$ 5,154,176	18.7%	\$ 5,590,127	20.3%	\$ 10,660,017	38.6%	\$ 1,734,151	6.3%	\$ 829,441	3.0%	\$ 266,374	1.0%	\$ 928,860	3.4%	\$ 2,433,625	8.8%	\$ 27,596,771	-
1997	5,414,473	18.2%	6,033,255	20.3%	12,568,782	42.2%	2,709,438	9.1%	845,519	2.8%	246,943	0.8%	866,132	2.9%	1,093,970	3.7%	29,778,512	7.9%
1998	5,530,005	17.6%	6,450,984	20.5%	12,594,062	40.0%	2,866,858	9.1%	850,890	2.7%	434,478	1.4%	1,086,705	3.5%	1,643,231	5.2%	31,457,193	5.6%
1999	5,665,792	19.7%	6,425,149	22.4%	10,070,273	35.1%	2,706,390	9.4%	1,015,777	3.5%	277,369	1.0%	1,035,556	3.6%	1,519,859	5.3%	28,716,165	-8.7%
2000	5,891,198	16.1%	7,078,571	19.3%	16,045,805	43.7%	3,149,195	8.6%	1,030,830	2.8%	338,677	0.9%	1,142,700	3.1%	2,016,495	5.5%	36,693,471	27.8%
2001	6,176,436	16.8%	6,820,171	18.6%	15,847,954	43.2%	2,847,201	7.8%	1,014,598	2.8%	350,557	1.0%	914,214	2.5%	2,686,520	7.3%	36,657,651	-0.1%
2002	6,915,254	19.2%	6,692,609	18.6%	15,473,320	43.0%	3,010,798	8.4%	947,428	2.6%	393,314	1.1%	662,513	1.8%	1,869,204	5.2%	35,964,440	-1.9%
2003	6,764,443	17.3%	6,542,355	16.7%	3,307,607	8.5%	18,879,071	48.3%	1,108,780	2.8%	471,682	1.2%	516,482	1.3%	1,533,039	3.9%	39,123,459	8.8%
2004	6,733,653	18.5%	7,033,387	19.3%	15,448,865	42.3%	3,437,220	9.4%	1,139,014	3.1%	622,165	1.7%	435,152	1.2%	1,631,892	4.5%	36,481,348	1.4%
2005	7,438,382	20.0%	7,083,023	19.0%	15,445,949	41.5%	3,147,066	8.4%	1,047,981	2.8%	648,300	1.7%	684,165	1.8%	1,754,158	4.7%	37,249,024	3.6%
2006	7,627,535	20.9%	7,425,173	20.4%	14,703,371	40.3%	2,938,246	8.1%	1,009,023	2.8%	544,902	1.5%	1,139,466	3.1%	1,065,565	2.9%	36,453,281	-6.8%

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information starting that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

CITY OF MUSKEGON
SEGMENTED DATA ON INCOME TAX FILERS, RATES AND LIABILITY

Most recent Year and Six Years Previous

		Fiscal Year 2006				Fiscal Year 2000				
Taxable Income per Return Individual and Joint Returns	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars
Resident Taxpayers: <i>(City resident income, after exemptions, exclusions and deductions is taxed at a flat rate of 1%.)</i>										
\$2,500 or less	1,060	5%	\$ 1,024,320	\$ 10,244	0%	1,179	5%	\$ 1,029,474	\$ 10,295	0%
\$2,501-\$7,500	958	4%	6,793,111	67,931	1%	1,169	5%	6,827,297	68,273	1%
\$7,501-\$25,000	2,306	10%	52,164,415	521,644	7%	2,704	10%	52,426,935	524,269	7%
\$25,001-\$50,000	1,975	8%	101,397,525	1,013,975	14%	2,394	9%	101,907,814	1,019,078	14%
\$50,001-\$100,000	940	4%	88,123,511	881,235	12%	986	4%	88,566,998	885,670	13%
More than \$100,000	169	1%	40,051,819	400,518	5%	142	1%	40,253,382	402,534	6%
Subtotal	7,408	32%	\$ 289,554,701	2,895,547	39%	8,574	33%	\$ 291,011,900	2,910,119	41%
 Non-Residents Taxpayers: <i>(Non-residents are taxed at a rate of 0.5% on income earned within the City.)</i>										
\$2,500 or less	2,176	9%	\$ 1,356,400	9,663	0%	1,939	8%	1,428,558	9,525	0%
\$2,501-\$7,500	1,430	6%	6,776,800	48,280	1%	1,685	6%	7,901,142	52,677	1%
\$7,501-\$25,000	3,515	15%	57,272,600	408,028	5%	4,208	16%	68,958,300	459,742	6%
\$25,001-\$50,000	4,129	18%	151,385,000	1,078,514	15%	4,917	19%	177,165,226	1,181,151	17%
\$50,001-\$100,000	2,407	10%	158,686,800	1,130,534	15%	2,102	8%	155,900,236	906,039	13%
More than \$100,000	578	2%	120,280,400	856,915	12%	527	2%	118,501,368	790,042	11%
Subtotal	14,235	61%	\$ 495,758,000	3,531,934	48%	15,358	60%	\$ 509,854,830	3,399,176	48%
 All Other Returns <i>(Mostly corporate returns which pay at a rate of 1% on income earned in City and partnerships which pay based on partners residence status.)</i>										
Subtotal	1,850	8%	997,692	13%		1,850	7%		769,276	11%
Total	23,493	100%	\$ 7,425,173	100%		25,782	100%		\$7,078,571	100%

NOTE: Due to confidentiality issues, the names of the ten largest income tax payers are not available. The categories presented are intended to provide alternative information regarding sources of the City's revenue.

SOURCE: City of Muskegon Income Tax Department. The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information starting that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Year	Governmental Activities				Business-Type Activities				Percent of Personal Income	Per Capita
	General Obligation Limited Tax Bonds	Special Assessment Bonds	State Loans	Total Governmental Activities	Revenue Bonds	Intergovernmental Contractual Debt	State Loans	Total Business-Type Activities		
1997	\$ 6,209,583	\$ 1,750,000	\$ 1,069,003	\$ 9,028,586	\$ 5,210,000	\$ 12,777,482	\$ -	\$ 17,987,482	\$ 27,016,068	4.9% \$ 671
1998	7,212,344	2,890,000	925,194	11,027,538	5,000,000	11,641,295	-	16,641,295	27,668,833	4.9% 687
1999	6,281,203	2,560,000	1,276,900	10,118,103	10,860,000	10,551,497	-	21,411,497	31,529,600	5.5% 783
2000	5,335,741	2,910,000	1,276,900	9,522,641	10,510,000	9,235,090	-	19,745,090	29,267,731	5.0% 730
2001	4,425,000	2,395,000	1,276,900	8,096,900	10,140,000	8,262,203	-	18,402,203	26,499,103	4.4% 661
2002	3,735,000	1,835,000	1,276,900	6,846,900	9,750,000	7,038,014	-	16,788,014	23,634,914	3.8% 589
2003	4,565,000	1,460,000	1,126,900	7,151,900	9,345,000	5,886,923	-	15,231,923	22,383,823	3.6% 562
2004	3,700,000	1,140,000	976,900	5,816,900	8,925,000	4,779,656	8,483,766	22,188,422	28,005,322	4.4% 703
2005	3,615,824	865,000	1,282,976	5,763,800	8,490,000	3,606,017	13,900,000	25,996,017	31,759,817	4.8% 797
2006	8,246,039	615,000	1,356,900	10,217,939	8,035,000	5,991,650	13,335,000	27,361,650	37,579,589	5.6% 944

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information starting that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon

DIRECT AND OVERLAPPING DEBT

December 31, 2006

Name of Governmental Unit	Total Debt Outstanding	Self Supporting	City General Taxes
Direct Debt			
City of Muskegon:			
Revenue Bonds	\$ 21,370,000	\$ 21,370,000	\$ -
Special Assessment Bonds	615,000	615,000	-
Capital Improvement Bonds	6,660,000	-	6,660,000
Intergovernmental Bonds	7,348,550	-	7,348,550
Michigan Transportation Fund Bonds	1,030,000	1,030,000	-
Act 99 Installment Purchase	556,039	-	556,039
Component Unit Debt:			
Downtown Development Authority	4,105,000	4,105,000	-
Local Development Finance Authority	4,725,000	4,725,000	-
Total City Direct Debt	\$ 46,409,589	\$ 31,845,000	14,564,589

	Gross	City Share as Percent of Gross	Net
Overlapping Debt			
Muskegon School District			
Muskegon School District	\$ 31,205,441	94.55%	\$ 29,504,744
Orchard View School District	45,195,938	26.82%	12,121,551
Reeths Puffer School District	62,260,164	9.16%	5,703,031
Muskegon Intermediate School District	-		
Muskegon County	20,820,000	16.13%	3,358,266
Muskegon Community College	17,955,000	16.13%	2,896,142
Total Overlapping Debt	\$ 177,436,543		53,583,734
Total City Direct and Overlapping Debt			\$ 68,148,323

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

SOURCE: Municipal Advisory Council of Michigan and City of Muskegon Finance Department. The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information starting that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 53,417,190	\$ 54,286,460	\$ 59,416,090	\$ 64,768,340	\$ 73,312,880	\$ 74,726,405	\$ 76,377,881	\$ 75,663,530	\$ 76,252,738	\$ 78,773,640
Total net debt applicable to limit	5,600,821	4,339,244	4,122,747	3,502,641	7,232,900	11,066,900	9,726,900	9,191,900	9,918,800	16,142,939
Legal debt margin	<u>\$ 47,816,369</u>	<u>\$ 49,947,216</u>	<u>\$ 55,293,343</u>	<u>\$ 61,265,599</u>	<u>\$ 66,079,980</u>	<u>\$ 63,659,505</u>	<u>\$ 66,650,981</u>	<u>\$ 66,471,630</u>	<u>\$ 66,333,938</u>	<u>\$ 62,630,701</u>

Total net debt applicable to the limit as
a percentage of debt limit

10.49%	7.99%	6.94%	5.41%	9.87%	14.81%	12.74%	12.15%	13.01%	20.49%
--------	-------	-------	-------	-------	--------	--------	--------	--------	--------

Legal Debt Margin Calculation for 2006:

Assessed Valuation: Legal Debt Limit (10%)	\$ 787,736,400 78,773,640
Total Indebtedness: Debt not Subject to Limitation: Special Assessment Debt	46,409,589
Revenue Bonds	(1,875,000)
Michigan Transportation Fund Bonds	(21,370,000)
Pollution Abatement Debt	(1,030,000)
Debt Subject to Limitation	(5,991,650)
	<u>16,142,939</u>
Legal Debt Margin	\$ <u>62,630,701</u>

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information starting that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon
REVENUE BOND COVERAGE
Water Supply System

Last Ten Fiscal Years

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements				Coverage
				Principal	Interest	Total		
1997	\$ 3,478,112	\$ 2,115,442	\$ 1,362,670	\$ 150,000	\$ 296,989	\$ 446,989	3.05	
1998	3,083,359	2,096,426	986,933	150,000	285,257	435,257	2.27	
1999	3,579,929	2,463,597	1,116,332	215,000	409,391	624,391	1.79	
2000	3,936,337	2,576,864	1,359,473	350,000	494,206	844,206	1.61	
2001	4,263,107	3,203,080	1,060,027	370,000	471,301	841,301	1.26	
2002	4,051,015	3,030,959	1,020,056	390,000	453,666	843,666	1.21	
2003	4,183,015	3,539,690	643,325	405,000	417,559	822,559	0.78	
2004	5,016,267	3,186,067	1,830,200	420,000	411,867	831,867	2.20	
2005	7,017,844	3,197,232	3,820,612	435,000	418,549	853,549	4.48	
2006	6,424,971	3,172,882	3,252,089	1,020,000	662,774	1,682,774	1.93	

Sewage Disposal System

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements				Coverage
				Principal	Interest	Total		
1997	\$ 3,295,954	\$ 2,390,240	\$ 905,714	\$ 242,480	\$ 343,261	\$ 585,741	1.55	
1998	3,790,903	2,355,408	1,435,495	515,185	261,692	776,877	1.85	
1999	3,740,179	2,417,775	1,322,404	495,963	237,636	733,599	1.80	
2000	4,089,381	2,236,111	1,853,270	421,516	216,776	638,292	2.90	
2001	3,991,295	2,656,382	1,334,913	399,933	197,169	597,102	2.24	
2002	4,039,448	2,726,975	1,312,473	458,918	137,622	596,540	2.20	
2003	4,077,482	2,649,454	1,428,028	473,329	132,214	605,543	2.36	
2004	4,096,412	3,038,939	1,057,473	455,179	110,520	565,699	1.87	
2005	4,182,115	3,128,119	1,053,996	522,956	114,388	637,344	1.65	
2006	4,842,901	4,270,296	572,605	511,626	63,233	574,859	1.00	

For years in which "revenue bond coverage" is less than 1.00, the shortfall was made up either by use of net assets or by transfer in.

(a) "Gross Revenue" equals total operating revenues plus interest income.

(b) "Direct Operating Expenses" equal total operating expenses net of depreciation expense.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information starting that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Income	Median Age	Public School Enrollment	Building Permits		Value	Unemployment
						Number	Value		
1997	40,283	\$ 546,953,586	\$ 13,578	30.8	7,022	843	\$ 25,570,276	6.6%	
1998	40,283	560,978,037	13,926	30.8	7,116	983	25,270,127	5.8%	
1999	40,283	575,362,089	14,283	30.8	6,954	886	18,913,173	6.2%	
2000	40,105	587,140,208	14,640	32.3	6,788	859	39,494,923	6.1%	
2001	40,105	601,818,713	15,006	32.3	6,761	893	26,052,549	9.3%	
2002	40,105	616,864,181	15,381	32.3	6,603	1,008	39,705,174	12.1%	
2003	39,825	627,871,373	15,766	32.3	6,327	1,061	21,369,545	13.9%	
2004	39,825	643,568,157	16,160	32.3	6,088	1,152	37,963,075	11.1%	
2005	39,825	659,657,361	16,564	32.3	5,862	966	30,041,025	9.0%	
2006	39,825	676,148,795	16,978	32.3	5,625	1,063	27,328,144	8.6%	

SOURCE: US Census Bureau, Muskegon Area Intermediate School District (MAISD), City of Muskegon Inspections Department

City of Muskegon
PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	Employees	Rank	2006		1997	
			Percentage of total city employment	Percentage of total city employment	Employees	Rank
Mercy General Health Partners	2,000	1	6.7%	1,458	1	5.6%
Hackley Hospital	1,610	2	5.4%	1,183	3	4.6%
County of Muskegon	1,280	3	4.3%	1,380	2	5.3%
State of Michigan	1,175	4	3.9%	1,000	4	3.8%
Muskegon Public Schools	1,050	5	3.5%	975	5	3.8%
ADAC Plastics	500	6	1.7%	-	-	-
Johnson Technology Inc.	425	7	1.4%	-	-	-
Verizon	350	8	1.2%	500	8	1.9%
City of Muskegon	270	9	0.9%	340	10	1.3%
Sappi Fine Paper (Formerly S D Warren)	250	10	0.8%	850	6	3.3%
Brunswick	-	-	-	650	7	2.5%
SPX	-	-	-	400	9	1.5%

SOURCE: City of Muskegon

City of Muskegon

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY DEPARTMENT
Last Ten Fiscal Years

Department	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Administration	1.50	1.50	1.70	1.70	1.70	1.50	1.50	1.50	1.50	1.50
Affirmative Action	1.20	1.20	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50
Cemeteryes	3.54	3.54	3.52	3.52	3.52	3.52	3.52	3.52	3.25	3.00
City Assessors Office	4.50	4.50	5.50	-	-	-	-	-	-	-
City Clerk & Elections	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
City Commission	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
City Hall Maintenance	1.51	1.51	1.23	1.20	1.20	1.25	1.20	1.00	1.00	1.00
City Manager's Office	2.05	2.05	2.05	2.05	2.05	3.05	2.75	1.75	1.75	1.75
City Treasurer's Office	4.50	7.50	6.50	6.00	6.00	6.00	6.00	5.00	5.00	5.00
Civil Service	2.00	2.00	2.00	2.00	2.00	3.00	3.00	2.00	2.00	2.00
Community Event Support	-	-	-	-	-	0.60	0.20	-	-	-
Environmental Services	-	-	16.00	5.00	4.00	4.00	4.00	3.50	2.00	2.00
Farmers Market	0.10	0.10	0.12	0.12	0.12	0.12	0.12	0.12	-	-
Finance Administration	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Fire	45.00	45.00	46.00	44.00	44.00	44.00	43.00	41.00	40.00	38.00
Fire Safety Inspections	-	-	-	13.00	13.00	12.00	13.00	12.00	10.00	12.00
Forestry	2.76	2.76	2.68	2.68	2.68	2.18	1.93	0.93	-	-
General Recreation	0.78	0.78	0.78	0.78	0.78	0.78	0.78	2.24	1.24	1.17
Income Tax Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Information Systems	3.00	2.00	2.00	3.00	3.00	4.00	4.00	4.00	3.00	3.00
Inner City Recreation	1.43	1.43	1.46	1.46	1.46	1.46	-	-	-	-
Parking	0.32	0.32	0.30	0.30	0.30	0.30	0.30	0.30	-	-
Parks	9.93	9.93	10.03	10.03	11.53	11.53	10.53	9.68	8.48	8.25
Planning, Zoning & Economic Development	7.00	7.00	8.00	8.00	7.50	7.50	7.50	6.50	6.00	6.00
Police	97.00	96.00	102.00	102.00	102.00	102.00	96.00	94.00	94.00	94.00
Sanitation	2.10	2.10	2.10	2.10	1.10	1.25	1.25	1.10	1.10	1.00
MVH-Major Streets	13.35	13.35	13.35	13.35	13.75	14.70	15.30	15.45	15.25	16.00
MVH-Local Streets	6.20	6.20	7.20	7.20	7.40	7.20	7.20	7.00	7.00	7.00
MVH-State Trunklines	1.60	1.60	1.60	1.60	1.60	1.60	1.60	2.00	2.00	2.00
Highway Non-Chargeables	0.20	0.20	0.20	0.20	-	-	-	-	-	-
Street Lighting	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
Walker Arena	0.10	0.10	0.12	0.12	0.12	0.12	0.12	0.12	-	-
Community Development	7.00	7.00	6.00	6.00	5.00	5.00	5.00	5.00	4.00	4.00
Home Program	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sewer Maintenance	14.74	13.40	14.40	14.40	14.40	14.40	14.40	15.15	15.05	16.00
Water Filtration	10.33	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Water Maintenance	18.48	17.15	16.15	16.15	15.65	15.65	15.65	15.15	14.65	13.00
Hartshorn Marina Fund	0.76	0.76	0.79	0.79	0.79	0.79	0.79	0.79	0.67	0.73
Public Service Building	3.10	3.10	3.30	3.30	3.30	3.30	3.30	3.65	3.85	3.45
Engineering	9.90	9.90	8.90	8.90	9.40	9.35	9.40	7.70	7.70	7.45
Equipment	8.67	8.67	8.67	7.70	7.70	7.70	7.70	8.00	8.00	8.95
	299.00	296.00	320.00	314.00	314.00	315.00	308.00	294.00	284.00	284.00

SOURCE: City of Muskegon Finance Department

City of Muskegon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Administrative Services										
Elections										
Number of registered voters	24,829	24,045	23,369	23,100	23,457	23,931	23,904	25,261	25,918	26,028
Number of votes cast:										
Last general election	9,029	9,029	12,054	12,054	8,916	8,916	14,169	14,169	10,410	4,022
Last city election	4,902	4,902	3,069	3,069	3,840	3,840	4,325	4,325		
Percentage of registered voters voting:										
Last general election	36%	38%	39%	52%	51%	37%	37%	56%	40%	
Last city election	20%	20%	13%	13%	16%	16%	18%	17%	16%	15%
Financial Services										
Property Tax Bills	N/A	N/A	N/A	15,854	15,804	15,586	15,428	15,403	15,404	15,354
Income Tax Returns	N/A	N/A	N/A	N/A	N/A	25,135	25,043	24,378	23,884	23,493
Paper Check Issued to Vendors	4782	4471	3957	3850	3922	4012	3784	3405	3205	3248
Electronic Payments to Vendors	249	369	496	571	662	651	746	752	828	800
Public Safety										
Fire Protection										
Number of firefighter and officer position	45	45	45	45	45	44	42	41	41	
Number of emergency calls	4,226	4,336	3,823	3,693	3,818	3,878	3,656	4,116	4,206	4,092
Police Protection										
Number of sworn officer positions	87	91	91	91	91	85	83	83	83	84
Part I (Major) Crimes	4,168	3,571	4,011	3,537	3,429	3,504	2,971	3,360	3,303	3,495
Public Works										
Refuse Collected (Tons per Year)	11,278	12,267	12,078	12,211	11,718	11,420	11,780	11,925	11,074	11,192
Recyclables Collected (Tons per Year)	965	913	815	897	838	808	775	779	588	559
Water & Sewer										
Number of consumers	14,917	14,917	14,917	14,917	14,917	14,917	14,917	14,917	14,455	14,412
Average daily water consumption (GPD)	9,437,000	9,269,000	9,269,000	8,498,000	9,877,000	9,453,000	8,870,000	9,582,000	8,998,000	
Water main breaks repaired	8	9	11	13	12	12	19	10	5	13
Sewer flows (Millions Gallons per Year)	2,391	2,219	2,070	1,718	1,994	1,477	1,387	1,475	1,700	2,040
Sewer Service Calls	643	627	716	925	799	661	624	568	638	605

SOURCE: City of Muskegon Departments

City of Muskegon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**Last Ten Fiscal Years**

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Fire Protection	3	3	3	3	3	3	3	3	3	3
Number of stations	1	1	1	1	1	1	1	1	1	1
Police Protection										
Number of stations										
Highways, Streets and Bridges										
Miles of Streets	197.56	197.56	197.56	197.51	197.52	197.39	197.96	196.95	196.95	197.48
Number of streetlights	3,082	3,085	3,085	3,115	3,111	3,114	3,123	3,111	3,159	3,159
Culture and Recreation										
Number of parks (acres)	611	611	611	611	612	612	701	701	701	701
Lake Michigan beaches (acres)	119	119	119	119	119	119	119	119	119	119
Hockey/Entertainment Arena	1	1	1	1	1	1	1	1	1	1
Sewer										
Sanitary sewers (miles)	173.29	174.16	174.16	174.97	175.01	175.33	178.02	179.41	175.74	
Storm sewers (miles)	177.30	177.30	177.30	177.97	178.29	178.57	178.57	178.61	179.23	180.48
Water										
Water mains (miles)	189.97	191.62	191.62	192.30	192.60	193.09	193.66	194.14	194.14	194.15

SOURCE: City of Muskegon Departments

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

April 5, 2007

City Commission
City of Muskegon
Muskegon, Michigan

We have audited the financial statements of the City of Muskegon as of and for the year ended December 31, 2006 and have issued our report thereon dated April 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Muskegon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Muskegon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Muskegon's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

BRICKLEY DELONG

City Commission
April 5, 2007
Page 2

Compliance

As part of obtaining reasonable assurance about whether the City of Muskegon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brickley DeLong, PLC

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

April 5, 2007

City Commission
City of Muskegon
Muskegon, Michigan

Compliance

We have audited the compliance of the City of Muskegon with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. The City of Muskegon's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Muskegon's management. Our responsibility is to express an opinion on the City of Muskegon's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Muskegon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Muskegon's compliance with those requirements.

In our opinion, the City of Muskegon complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the City of Muskegon is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Muskegon's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

BRICKLEY DELONG

City Commission
April 5, 2007
Page 2

Internal Control Over Compliance—Continued

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with requirements of laws, regulations, contracts, and grants applicable to federal programs on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with such requirements, such that there is more than a remote likelihood that noncompliance with requirements of laws, regulations, contracts, and grants applicable to federal programs that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brickley DeLong, PLC

City of Muskegon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2006

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Entitlement program or award amount</u>	<u>Accrued (deferred) revenue January 1, 2006</u>	<u>Cash or payments in kind received (cash basis)</u>	<u>Amount of grant expenditures</u>	<u>Accrued (deferred) revenue December 31, 2006</u>	<u>Note</u>
<i>U.S. Department of Housing and Urban Development</i>							
Direct programs							
Community Development Block Grant	14.218	\$ 1,137,297	\$ 345,144	\$ 1,017,582	\$ 672,438	\$ -	
B-05-MC-26-0026		1,020,145	-	387,350	487,785	100,435	
B-06-MC-26-0026		84,177	-	84,177	-	-	
Program Income			345,144	1,489,109	1,244,400		100,435
Total Community Development Block Grant		2,241,619					
Direct programs							
Home Investment Partnership Program	14.239	572,000	-	26,222	26,222		
M-01-MC-26-0215		340,111	-	5,666	5,666	-	3
M-03-MC-26-0215		337,937	14,274	57,208	42,934	-	4
M-04-MC-26-0215		320,839	6,105	198,208	241,770	49,667	
M-05-MC-26-0215		301,767	-	49,010	72,740	23,730	
M-06-MC-26-0215		653,335	(41,419)	474,455	497,105	(18,769)	
Program Income			(21,040)	810,769	886,437		54,628
Total Home Investment Partnership Program		2,525,989					
Total U.S. Department of Housing and Urban Development		4,767,608	324,104	2,299,878	2,130,837	155,063	
<i>U.S. Department of Justice</i>							
Passed through the Michigan Family Independence Agency							
Juvenile Justice Grant	16.548	70,000	13,535	69,971	56,436	-	
DP-05-61001-2		40,000	-	-	9,557	9,557	
DP-05-61001-3			13,535	69,971	65,993		9,557
Total Juvenile Justice Grant		110,000					
Direct programs							
Bulletproof Vest Partnership Grant	16.607	15,141	-	15,141	15,141	-	
2006 Grant							

City of Muskegon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED

For the year ended December 31, 2006

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Entitlement program or award amount</u>	<u>Accrued (deferred) revenue January 1, 2006</u>	<u>Cash or payments in kind received January 1, 2006</u>	<u>Amount of grant expenditures</u>	<u>Accrued (deferred) revenue December 31, 2006</u>	<u>Note</u>
<i>U.S. Department of Justice—Continued</i>							
Passed through the Ottawa County WEMET Multi-Jurisdictional Drug Enforcement CO-OP	16,579	\$ 43,606 36,825	\$ 11,046 -	\$ 43,606 -	\$ 32,560 11,603	\$ 11,603 11,603	
70834-706B							
70834-807B							
Total WEMET Multi-Jurisdictional Drug Enforcement CO-OP		80,431	11,046	43,606	44,163	11,603	
Direct programs	16,592	23,331	(13,721)	-	13,721	-	
Law Enforcement Block Grant							
2004-LB-BX-1240							
143							
Passed through Muskegon County United Way							
Weed and Seed	16,595	54,750 48,500	336 -	54,482 1,869	54,146 3,531	57,677 1,662	
2005-WS-Q5-0145							
2006-WS-Q5-0145							
Total Weed and Seed		103,250	336	56,351	57,677	1,662	
Total U.S. Department of Justice		332,153	11,196	185,069	196,695	22,822	
Passed through the Michigan Department of Transportation							
Highway Planning and Construction Program	20,205	210,518 315,777	-	210,518 315,777	210,518 315,777	-	2
Proj STP0661 (009) Fed Item HH4588 Contract 06-5059							
Proj STP0661 (015) Fed Item HH4688 Contract 06-5220							
Proj STP0661 (017) Fed Item TT0173 Contract 06-5322							
Proj STP0661 (005) Fed Item LL0312 Contract 06-5010							
Proj HPSL0661 (017) Fed Item RR5086 Contract 06-5533							
Total U.S. Department of Transportation,		960,000	-	469,605	768,000	298,395	
Federal Highway Administration							
2,611,125		-		1,915,707	2,214,102	298,395	

City of Muskegon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED

For the year ended December 31, 2006

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue January 1, 2006	Cash or payments in kind received (cash basis)	Amount of grant expenditures	Accrued (deferred) revenue December 31, 2006	Note
<i>U.S. Federal Emergency Management Administration</i>							
Direct programs		83,554	\$ 42,179	\$ -	\$ 42,179	\$ 42,179	-
Assistance to Firefighters Grant Program			\$ 7,753,065	\$ 335,300	\$ 4,442,833	\$ 4,583,813	\$ 476,280
EMW-2005-FG-15610							
TOTAL FEDERAL ASSISTANCE							

Notes to Schedule of Expenditures of Federal Awards

- See the notes to the financial statements for significant accounting policies used in preparing this schedule.
- These programs are administered by the Michigan Department of Transportation (MDOT) and federal compliance reports of these programs are included in the single audit of MDOT.
- The amount of the prior year receivable was reduced from \$11,889 to \$0 as a result of a misclassification of the prior year receivable.
- The amount of the prior year receivable was increased from \$2,385 to \$14,274 as a result of a misclassification of the prior year receivable.
- The following is a reconciliation of federal revenues as reported on page 36 of the City of Muskegon financial statements for the year ended December 31, 2006 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per City of Muskegon financial statements
for the year ended December 31, 2006 (page 36)

General Fund	\$ 172,881
Major Street and Trunkline Fund	\$ 724,862
Other governmental funds	\$ 3,104,788
	<hr/>
	4,002,531
	<hr/>
Plus program income	\$ 581,282
	<hr/>
Federal assistance expenditures and operating transfers out per Schedule of Expenditures of Federal Awards	\$ 4,583,813

City of Muskegon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2006

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Muskegon.
2. *No* significant deficiencies in internal control were disclosed by the audit of the financial statements.
3. *No* instances of noncompliance material to the financial statements of the City of Muskegon were disclosed during the audit.
4. *No* significant deficiencies in internal control were disclosed by the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award program for the City of Muskegon expresses an unqualified opinion.
6. There were *no* audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was:

<u>Name</u>	<u>CFDA Number</u>
<i>U.S. Department of Housing and Urban Development</i> Community Development Block Grant	14.218

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Muskegon was determined to be a low-risk auditee.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

NONE

C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

April 5, 2007

U.S. Department of Housing and Urban Development
Detroit, Michigan

The City of Muskegon respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended December 31, 2005 dated March 10, 2006.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

COMPLIANCE

There were *no* compliance findings.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

Fiscal 2005 Finding No. 1: Construction Retainage Procedures

Condition: Retainage on construction contracts was not always recorded as a liability.

Recommendation: The proper recording of construction retainage payables would increase the accuracy of the City's liability balances.

Current Status: This recommendation was adopted in fiscal 2006. No similar finding was noted in the fiscal 2006 audit.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

COMPLIANCE

There were *no* compliance findings reported in relation to major federal award programs.

REPORTABLE CONDITIONS

There were *no* reportable conditions reported in relation to major federal award programs.

Sincerely,



Timothy J. Paul
Finance Director

City of Muskegon

933 Terrace Street
Muskegon, MI 49443

CORRECTIVE ACTION PLAN

April 5, 2007

U.S. Department of Housing and Urban Development
Detroit, Michigan

The City of Muskegon respectfully submits the following Corrective Action Plan for the year ended December 31, 2006.

Name and address of independent public accounting firm:

Brickley DeLong, PLC
P.O. Box 999
Muskegon, Michigan 49443

Audit period: December 31, 2006

The findings from the Schedule of Findings and Questioned Costs for the year ended December 31, 2006 provided **no** findings in either Section B or Section C. Accordingly, there are **no** matters requiring corrective action as shown below.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

There were **no** compliance findings and **no** significant deficiencies.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

There were **no** compliance findings and **no** significant deficiencies in relation to the major federal award programs.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call Timothy J. Paul at (231) 724-6709.

Sincerely,



Timothy J. Paul
Finance Director

FORM SF-SAC
(5-2004)U.S. DEPT. OF COMM.- Econ. and Stat. Admin.- U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET

Data Collection Form for Reporting on **AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS** for Fiscal Year Ending Dates in 2004, 2005, or 2006

► Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

RETURN
TO

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

PART I GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)

1. Fiscal period ending date for this submission

Month	Day	Year
12	/	31 / 2006

Fiscal Period End Dates Must
Be In 2004, 2005, or 2006.

2. Type of Circular A-133 audit

Single audit Program-specific audit

3. Audit period covered

Annual Biennial Other - Months

4. FEDERAL GOVERNMENT USE ONLY

Date received by
Federal clearinghouse

5. Auditee Identification Numbers

a. Primary Employer Identification Number (EIN)

3	8	-	6	0	0	4	5	2	2
---	---	---	---	---	---	---	---	---	---

d. Data Universal Numbering System (DUNS) Number

0	1	-	7	2	7	-	0	9	6	8
---	---	---	---	---	---	---	---	---	---	---

b. Are multiple EINs covered in this report? 1 Yes 2 No

c. If Part I, Item 5b = "Yes," complete Part I, Item 5c on the continuation sheet on Page 4.

e. Are multiple DUNS covered in this report? 1 Yes 2 No

f. If Part I, Item 5e = "Yes," complete Part I, Item 5f on the continuation sheet on Page 4.

6. AUDITEE INFORMATION

a. Auditee name

CITY OF MUSKEGON

b. Auditee address (Number and street)

933 TERRACE

City

MUSKEGON

State

ZIP + 4 Code

MI	4	9	4	4	3	-	0	5	3	6
----	---	---	---	---	---	---	---	---	---	---

c. Auditee contact

Name

TIMOTHY J. PAUL

Title

FINANCE DIRECTOR

d. Auditee contact telephone

(231) 724 — 6709

e. Auditee contact FAX

(231) 724 — 5768

f. Auditee contact E-mail

g. AUDITEE CERTIFICATION STATEMENT: This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official

Date

Month Day Year

4 16 07

Printed Name of certifying official

Timothy J. Paul

Printed Title of certifying official

Finance Director

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name

BRICKLEY DELONG P.L.C.

b. Auditor address (Number and street)

500 TERRACE PLAZA, P.O. BOX 999

City

MUSKEGON

State

ZIP + 4 Code

MI	4	9	4	4	3	-			
----	---	---	---	---	---	---	--	--	--

c. Auditor contact

Name

TIMOTHY D. ARTER

Title

PARTNER

d. Auditor contact telephone

(231) 726 — 5800

e. Auditor contact FAX

(231) 722 — 0260

f. Auditor contact E-mail

g. AUDITOR STATEMENT: The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor

Date

Month Day Year

4 16 07

Timothy D. Arter, CPA
for Buckley DeLong, PLLC

PART II**FINANCIAL STATEMENTS (To be completed by auditor)**

1. Type of audit report

Mark either: 1 Unqualified opinion **OR**any combination of: 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report?

1 Yes 2 No

3. Is a reportable condition disclosed?

1 Yes 2 No – SKIP to Item 5

4. Is any reportable condition reported as a material weakness?

1 Yes 2 No

5. Is a material noncompliance disclosed?

1 Yes 2 No**PART III****FEDERAL PROGRAMS (To be completed by auditor)**

1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)

1 Yes 2 No

2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))

\$ 300,000

3. Did the auditee qualify as a low-risk auditee? (\$.530)

1 Yes 2 No

4. Is a reportable condition disclosed for any major program? (\$.510(a)(1))

1 Yes 2 No – SKIP to Item 6

5. Is any reportable condition reported as a material weakness? (\$.510(a)(1))

1 Yes 2 No

6. Are any known questioned costs reported? (\$.510(a)(3) or (4))

1 Yes 2 No7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (\$.315(b))1 Yes 2 No8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)98 U.S. Agency for International Development83 Federal Emergency Management Agency43 National Aeronautics and Space Administration96 Social Security Administration10 Agriculture39 General Services Administration89 National Archives and Records Administration19 U.S. Department of State23 Appalachian Regional Commission93 Health and Human Services05 National Endowment for the Arts20 Transportation11 Commerce97 Homeland Security
14 Housing and Urban Development06 National Endowment for the Humanities21 Treasury
82 United States Information Agency94 Corporation for National and Community Service03 Institute of Museum and Library Services47 National Science Foundation64 Veterans Affairs12 Defense15 Interior07 Office of National Drug Control Policy00 None84 Education16 Justice59 Small Business Administration Other – Specify:81 Energy17 Labor66 Environmental Protection Agency09 Legal Services Corporation

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse
- and, if not marked above, the Federal cognizant agency

Count total number of boxes marked above and submit this number of reporting packages

1

PART III FEDERAL PROGRAMS - Continued**9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR**

CFDA Number Federal Agency Prefix ¹ (a)	Extension ² (b)	Research and development (c)	Name of Federal program (d)	Amount expended (e)	Major program		Audit finding reference number(s) ⁵ (b)
					Direct award (f)	If yes, type of audit report ³ (h)	
1 4 .218		1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	COMMUNITY DEVELOPMENT BLOCK GRANT	\$ 1,244,400.00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	N/A
1 4 .239		1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	HOME INVESTMENT PARTNERSHIP PROGRAM	\$ 886,437.00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	N/A
1 6 .548		1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	JUVENILE JUSTICE GRANT	\$ 65,993.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	N/A
1 6 .607		1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	BULLETPROOF VEST PARTNERSHIP GRANT	\$ 15,141.00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	N/A
1 6 .579		1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WEMET MULTI-JURISDICTIONAL DRUG ENFORCEMENT CO-OP	\$ 44,163.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	N/A
1 6 .592		1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	LAW ENFORCEMENT BLOCK GRANT	\$ 13,721.00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	N/A
1 6 .595		1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WEED AND SEED	\$ 57,677.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	N/A
2 0 .205		1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	HIGHWAY PLANNING AND CONSTRUCTION PROGRAM	\$ 2,214,102.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	N/A
8 3 .554		1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ASSISTANCE TO FIREFIGHTERS GRANT PROGRAM	\$ 42,179.00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	N/A
		1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		
TOTAL FEDERAL AWARDS EXPENDED				\$ 4,583,813.00			

1 See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.
2 Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

3 If major program is marked "Yes," enter only one letter (**Y** = Unqualified opinion, **Q** = Qualified opinion, **A** = Adverse opinion, **D** = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

4 Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

- A. Activities allowed or unallowed
- E. Eligibility
- I. Procurement and suspension and debarment
- B. Allowable costs/cost principles
- F. Equipment and real property management
- J. Program income
- K. Real property acquisition and relocation assistance
- G. Matching, level of effort, earmarking
- H. Period of availability of Federal funds
- 5 N/A for NONE

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS

- L. Reporting
- M. Subrecipient monitoring
- N. Special tests and provisions
- O. None
- P. Other

PART I Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

f. List the multiple DUNS covered in the report.

1	N	L	A	21	-	41	-	1	N	L	A	-	21	-
2	-			22	-	42	-	2	-				22	-
3	-			23	-	43	-	3	-				23	-
4	-			24	-	44	-	4	-				24	-
5	-			25	-	45	-	5	-				25	-
6	-			26	-	46	-	6	-				26	-
7	-			27	-	47	-	7	-				27	-
8	-			28	-	48	-	8	-				28	-
9	-			29	-	49	-	9	-				29	-
10	-			30	-	50	-	10	-				30	-
11	-			31	-	51	-	11	-				31	-
12	-			32	-	52	-	12	-				32	-
13	-			33	-	53	-	13	-				33	-
14	-			34	-	54	-	14	-				34	-
15	-			35	-	55	-	15	-				35	-
16	-			36	-	56	-	16	-				36	-
17	-			37	-	57	-	17	-				37	-
18	-			38	-	58	-	18	-				38	-
19	-			39	-	59	-	19	-				39	-
20	-			40	-	60	-	20	-				40	-